

WASHINGTON
NEW YORK
HARRISBURG

RECORDATION NO. 10406-F
AUG 10 1979 - 9 15 AM

MORGAN, LEWIS & BOCKIUS

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MIAMI
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ASSOCIATED OFFICE

INTERSTATE COMMERCE COMMISSION

HOWARD L. MEYERS
DIAL DIRECT (215) 491-9536

RECORDATION NO. 10406-F
AUG 10 1979 - 9 15 AM

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
Washington, D.C.

9 222A010

No. 110
Date AUG 10 1979
Fee \$ 30
RECORDATION NO. 10406-A
Filed 1425

AUG 10 1979 - 9 15 AM
ICC Washington, D.C.

INTERSTATE COMMERCE COMMISSION

Re: One Hundred Fifty 70-ton General Purpose Boxcars
(HOSC 250065-HOSC 250199, inclusive, and NSL 155567-
NSL 155581, inclusive) -- Interstate Commerce
Commission Recordation No. 10406

Gentlemen:

Enclosed herewith for filing under the above recorda-
tion number are the following documents and instruments in con-
nection with the permanent financing of the above-referenced
railroad rolling stock:

1. Participation Agreement, dated as of August 10, 1979, among National Railway Utilization Corporation ("NRUC") and Pickens Railroad Company ("Pickens") (collectively, the "Lessee"), Heleasco Eleven, Inc. ("Heleasco"), Provident National Bank, Agent (the "Agent"), and General American Life Insurance Company, Indianapolis Life Insurance Company and Continental American Life Insurance Company (collectively the "Lenders");
2. Amendment to Lease of Railroad Equipment, dated as of May 31, 1979, between Lessee and Heleasco, as lessor; and
3. Security Agreement, dated as of August 10, 1979, between Heleasco, as debtor, and Agent, as secured party.

The Lease of Railroad Equipment between Lessee and Heleasco relating to the above rolling stock and certain other documents were filed on June 1, 1979, under ICC Recordation Nos. 10406, 10406-A, 10406-B and 10406-C.

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MORGAN, LEWIS & BOCKIUS

Interstate Commerce Commission
August 9, 1979
Page Two

The railroad rolling stock covered by the foregoing agreements are 50', 6", 70-ton, plate "C" rigid underframe boxcars with 10' sliding doors, type XM.

The filing fee for the above transaction accompanies this letter of transmittal.

Kindly acknowledge your receipt of the enclosed documents and the filing fee by affixing your customary stamp to a copy of this letter and returning it to the undersigned.

Very truly yours,



HLM:ks

Enclosures

Interstate Commerce Commission

Washington, D.C. 20423

8/10/79

OFFICE OF THE SECRETARY

Howard L. Meyers

Morgan ,Lewis & Bockius

123 South Broad Street

Phila. Pa. 19109

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **8/10/79** at **9:15am** , and assigned recordation number(s). **10406-D, 10406-E & 10405-F**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. 10406-A Filed 1425

AUG 10 1979 - 9 15 AM

INTERSTATE COMMERCE COMMISSION

PARTICIPATION AGREEMENT

AMONG

NATIONAL RAILWAY UTILIZATION CORPORATION

PICKENS RAILROAD COMPANY,

HELEASCO ELEVEN, INC.,

PROVIDENT NATIONAL BANK, as Agent

AND

THE PARTIES NAMED IN SCHEDULE A HERETO

Dated as of August 10, 1979

One Hundred Fifty General Purpose Boxcars
HOSC 250065 through HOSC 250199, inclusive
and NSL 155567 through NSL 155581, inclusive

Filed and recorded with the Interstate Commerce Commission
pursuant to 49 U.S.C. §11303 on August __, 1979, Recordation
No. _____.

PARTICIPATION AGREEMENT dated as of August 10, 1979, among NATIONAL RAILWAY UTILIZATION CORPORATION, and PICKENS RAILROAD COMPANY, both South Carolina corporations (hereinafter jointly and severally called the Lessee), HELEASCO ELEVEN, INC., a Delaware corporation (hereinafter called the Owner), PROVIDENT NATIONAL BANK, a national banking association (hereinafter called the Agent), and the parties named in Schedule A hereof (hereinafter called the Lenders).

WHEREAS, the Owner has purchased certain units of railroad equipment as listed in Schedule B hereof (hereinafter called the Equipment) from Whittaker Corporation (Berwick Forge & Fabricating Division) and Evans Transportation Company (Southern Iron & Equipment Company Division) (hereinafter called the Builders), utilizing for that purpose, in part, funds borrowed from First Maryland Leasecorp (hereinafter called the Interim Lender), as evidenced by the Owner's Promissory Note, dated May 31, 1979, in the principal amount of \$4,180,596 (hereinafter called the Interim Note);

WHEREAS, the Lessee has leased from the Owner all units of the Equipment pursuant to a Lease of Railroad Equipment (No. Y179-1290.1), dated as of May 31, 1979 (as amended as hereinafter described, herein called the Lease), conformed copy of which is attached hereto as Exhibit A, which Lease shall be amended prior to the Closing Date (as hereinafter defined) by an Amendment to Lease of Railroad Equipment, dated as of May 31, 1979 (hereinafter called the Lease Amendment), in substantially the form of Exhibit A-1;

WHEREAS, as security for the payment of the indebtedness evidenced by the Interim Note the Owner has heretofore entered into a Security Agreement, dated as of May 31, 1979, in favor of the Interim Lender (hereinafter called the Interim Security Agreement), and, pursuant thereto, has executed and delivered to the Interim Lender an Assignment of Lease of even date, a conformed copy of which is attached hereto as Exhibit B (hereinafter called the Lease Assignment), whereby the Interim Lender holds a security interest in payments due under the Lease;

WHEREAS, the Lenders will refinance the percentage of the aggregate Purchase Price (as referred to in the Lease) of the Equipment originally financed by the Interim Lender, by respectively purchasing non-recourse Promissory Notes (hereinafter called the Promissory Notes) of the Owner in substantially the form of Exhibit C hereto, and in the respective principal amounts set forth in Schedule A; the Lenders will also purchase all accrued but unpaid interest at the rate of 11.5% per annum on the Interim Note from July 1, 1979;

WHEREAS, the proceeds from the purchase by the Lenders of the Promissory Notes and accrued interest thereon as set forth above, plus the amount of Additional Rent (as defined in the Lease) payable by Lessee under the Lease, shall be utilized to pay and discharge in full the Interim Note; whereupon, the obligation of the Owner to pay Additional Interest (as defined in the Lease) and of the Lessee to pay Additional Rent shall cease and terminate;

WHEREAS, as security for the payment of the indebtedness represented by the Promissory Notes, the Owner will grant to the Agent, acting on behalf of the Lenders, a security interest in the Equipment and in the rents and other sums payable under the Lease pursuant to a security agreement (herein called the Security Agreement) in substantially the form of Exhibit D hereto, and simultaneously therewith the Interim Lender will release its rights under the Interim Security Agreement and discharge the same by executing and delivering to the Owner and to the Agent a release of security interest (hereinafter called the Release) substantially in the form of Exhibit E hereto; and

WHEREAS, as further security for the payment of the indebtedness represented by the Promissory Notes, the Interim Lender will assign to the Agent the Interim Lender's rights under the Lease and the Lease Assignment by executing and delivering to the Agent an assignment of such rights (hereinafter called the Lease Reassignment) in substantially the form of Exhibit F hereto, to all of which the Owner and the Lessee will respectively consent and acknowledge notice thereof pursuant to a consent and acknowledgment (hereinafter called the Consent and Acknowledgment) substantially in the form of Exhibit G hereto:

NOW, THEREFORE, in consideration of the agreements and the covenants hereinafter contained, the parties hereto hereby agree as follows:

1. Subject to the terms and conditions hereof, the Agent, on behalf of the Lenders and from the funds delivered by them to the Agent, will pay to the Interim Lender, for the account of the Owner \$4,180,596, together with interest thereon at the rate of 11.5% per annum from July 1, 1979, in funds immediately available in Baltimore, Maryland, not later than 11:00 a.m., on such date (hereinafter called the Closing Date) not later than August 17, 1979, as shall be requested by the Lessee by written notice delivered to the Agent not less than two business days prior thereto.

Simultaneously with the payment to the Interim Lender of said amount, the Owner will execute and deliver to the Agent, for the respective accounts of the Lenders, the Owner's Promissory Notes in the respective principal amounts as set forth in Schedule A, dated the date of such payment, together with the Security Agreement and the Consent and Acknowledgment.

The Agent shall arrange for the delivery at the same time by the Interim Lender of the "original" counterparts of the Lease and the Lease Assignment, the Release, and the Lease Reassignment.

The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Philadelphia, Pennsylvania, are authorized or obligated to remain closed. All interest under this Agreement, the Security Agreement or the Promissory Notes shall be calculated on the basis of a 360-day year of twelve 30-day months.

Each Lender, simultaneously with the final payment to it of all amounts payable in respect of the Promissory Note held by it, will surrender the same to the Owner.

The forms of the Exhibits annexed to this Agreement are hereby approved by the Lenders. The Owner and/or the Lessee will not enter into or consent to any modification or supplement to such forms without the prior written approval of each Lender.

The Lenders are acting hereunder solely as purchasers for investment, and none thereof shall have any obligations under this Agreement except to make the purchases of the Promissory Notes provided for herein subject to the terms hereof; without limiting the generality of the foregoing, the Lenders shall not be responsible for the actions of the Agent, which, although denominated an "agent", is, nevertheless, acting as an independent contractor and shall be accountable as such for the discharge by it of its duties and responsibilities as herein set forth.

2. (a) The Owner and the Lessee severally, and not jointly, each represents and warrants that it has not directly or indirectly offered or sold any of the indebtedness to be represented by the Promissory Notes or other securities to, solicited offers to buy any of such indebtedness or other securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any of such indebtedness or other securities with any person so as to require registration of the Promissory Notes or any other such securities under the provisions of Section 5 of the Securities Act of 1933, as amended.

(b) Lessee severally and jointly represents and warrants as follows:

(i) The Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Carolina and is duly qualified to do business and is in good standing in such other jurisdictions in which the failure so to qualify or be in good standing might materially and adversely affect the ability of the Lessee to perform its obligations under this Agreement or the Lease.

(ii) The Lessee has full power, authority and legal right to carry on its business as now conducted and is duly authorized and empowered to execute and deliver this Agreement, the Lease and the Consent and Acknowledgment and to fulfill and comply with the terms, conditions and provisions hereof and thereof; this Agreement, the Lease and the Consent and Acknowledgment have been duly authorized, executed and delivered and, assuming in the case of this Agreement due authorization, execution and delivery thereof by the other parties hereto, each constitutes a valid, legal and binding agreement, enforceable in accordance with its terms.

(iii) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Lessee) pending or (to the knowledge of the Lessee) threatened against or affecting the Lessee or any property or rights of the Lessee at law or in equity, or before any commission or other administrative agency, which could materially and adversely affect the condition, financial or other, of the Lessee; and, except as aforesaid, the Lessee is not, to its knowledge, in default with respect to any order or decree of any court or governmental commission, agency or instrumentality which could materially and adversely affect the condition, financial or other, of the Lessee.

(iv) The Lessee is not a party to any agreement or instrument or subject to any charter or other corporate restriction materially and adversely affecting the business, present or proposed, of the Lessee, or the operations, property or assets or condition, financial or other, of the Lessee.

(v) Neither the execution and delivery of this Agreement, the Lease or the Consent and Acknowledgment, nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with the terms and provisions hereof and thereof, will conflict with, or result in a breach of, any of the terms, conditions or provisions of the certificate of incorporation or the by-laws of the Lessee or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder, or result in the creation or imposition of any lien, charge, security interest or other encumbrance of any nature whatsoever upon any property of the Lessee or upon the Equipment pursuant to the terms of any such agreement or instrument.

(vi) Neither the execution and delivery by the Lessee of this Agreement or the Lease, nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof, will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality or arbitrator applicable to the Lessee.

(vii) No authorization or approval is required from any governmental or public body or authority having jurisdiction over the Lessee or the Equipment in connection with the execution and delivery by the Lessee of this Agreement, the Lease or the Consent and Acknowledgment, or the fulfillment of or compliance with the terms, conditions and provisions hereof and thereof or the transactions contemplated thereby.

(viii) The Lessee has filed all foreign, Federal, state and local tax returns which (to its knowledge) are required to be filed, and has paid or made provisions for the payment of all taxes which have or may become due pursuant to said returns or pursuant to any assessment received by it, other than taxes which are being contested in good faith and which in the aggregate do not involve material amounts.

(ix) The Lessee has furnished to the Lessor and the Lenders consolidated balance sheets of the Lessee as of December 31, 1978 and related consolidated statements of income and retained earnings for the year then ended; such consolidated financial statements are in accordance with the books and records of the Lessee and have been prepared in accordance with generally accepted accounting principles, applied on a consistent basis throughout the period covered thereby and on a basis consistent with prior periods; and such statements present fairly the financial condition of the Lessee at such date and the results of its operations for such period. There has not been any material adverse change in the assets, liabilities or financial condition of the Lessee since December 31, 1978.

(x) The Lessee is not in default in the payment of principal of or interest on any indebtedness for borrowed money or in default under any instruments or agreements under or subject to which any indebtedness for borrowed money has been issued or in default under any long-term rental obligation under which the Lessee is the lessee, and no event has occurred and is continuing under the provisions of any such instrument or agreement which, with the lapse of time or the giving of notice or both, would constitute an event of default thereunder, other than defaults which would not have a material adverse effect on the Lessee's ability to perform its obligations under this Agreement or the Lease.

3. Each Lender represents, severally and not jointly, that it is acquiring the Promissory Note for its own account, or for the account of one or more pension or trust funds or other institutional accounts, for investment and not with a view to, or for sale in connection with, the distribution of the same, nor with any present intention of distributing or selling the same, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control. Each Investor represents, severally and not jointly, that (except to the extent that it has otherwise advised its special counsel, Messrs. Morgan, Lewis & Bockius, in writing) it has sole investment discretion in respect of each such account for which it is acting.

The Lenders understand that the Promissory Notes have not been registered under the Securities Act of 1933 because the transaction evidenced by this Agreement and the transaction resulting in the issuance of the Interim Note are collectively and separately exempt from the registration requirements of such Act, and that the Promissory Notes must be held indefinitely unless a subsequent disposition thereof is registered under said Act or is exempt from registration.

4. The obligation of the Lenders and the Agent to make payments as herein provided shall be subject to the receipt by the Agent on the Closing Date of the following documents:

(a) An opinion of Messrs. Morgan, Lewis & Bockius, special counsel to the Lenders, dated the Closing Date and addressed to the Lenders to the effect that:

(i) this Agreement, assuming the due authorization, execution and delivery thereof by the Lenders, has been duly authorized, executed and delivered and constitutes a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(ii) the Security Agreement, the Lease, the Lease Assignment, the Lease Reassignment and the Consent and Acknowledgment have each been duly authorized, executed and delivered and each is a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(iii) the Agent is vested (for the benefit of the Lenders) with a valid security interest in the Equipment and the Lease pursuant to and in accordance with the Security Agreement and the Lease Assignment and Lease Reassignment;

(iv) this Agreement, the Security Agreement, the Release, the Lease, the Lease Assignment and the Lease Reassignment have each been duly filed and recorded with the Interstate Commerce Commission in accordance with the requirements of the Interstate Commerce Act and no other filing or recordation is necessary for the protection of the rights of the Agent (for the benefit of the Lenders) therein, or in the Equipment, in the United States of America, any State thereof or the District of Columbia;

(v) the Promissory Notes, upon due execution and delivery thereof by the Owner and receipt by the Interim Lender (for the account of the Owner) from the Agent of funds in the same amount as the aggregate principal thereof, will constitute legal, valid and binding obligations of the Owner, enforceable in accordance with their terms;

(vi) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Security Agreement, the Release, the Lease, the Lease Assignment, the Lease Reassignment or the Consent and Acknowledgment;

(vii) under the circumstances contemplated by this Agreement it is not necessary to register the Promissory Notes or the Security Agreement under the Securities Act of 1933, as in effect on the date of such opinion, or to qualify the Security Agreement or any other instrument or agreement contemplated hereby or thereby under the Trust Indenture Act of 1939, as in effect on the date of such opinion; and

(viii) the legal opinions referred to in subparagraphs (b), (c) and (i) of this Paragraph 4 are satisfactory in form and substance to said special counsel and the Lenders and the Agent are justified in relying thereon;

and as to such other matters incident to the transactions contemplated by this Agreement as the Lenders may reasonably request.

(b) An opinion of Messrs. Saul, Ewing, Remick & Saul, counsel for the Owner, dated the Closing Date and addressed to the Lenders, to the effect set forth in clauses (i), (ii), (v) and (vi) of subparagraph (a) of this Paragraph 4, insofar as such matters relate to the Owner, and to the further effect that:

(i) the Owner is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full power, authority and legal right to own its properties and to conduct its businesses as now conducted and to execute, deliver and perform this Agreement, the Lease, the Security Agreement, the Lease Assignment, the Consent and Acknowledgment and the Notes; and the Owner has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement, the Lease, the Security Agreement, the Lease Assignment, the Consent and Acknowledgment and the Notes;

(ii) subject to the due execution and delivery by the Interim Lender of the Release and the Lease Reassignment, neither the execution and delivery of this Agreement, the Security Agreement, the Lease Assignment, the Consent and Acknowledgment or the Notes, nor the consummation of the transactions herein and therein contemplated, nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof by the Owner, will conflict with, or result in a breach of, any of the terms, conditions or provisions of the Certificate of Incorporation or By-Laws of the Owner or, to the best of the knowledge of said counsel, of any bond,

debenture, note, mortgage, indenture, contract or other agreement or instrument to which the Owner is a party or by which it or its property may be bound;

(iii) subject to the due execution and delivery by the Interim Lender of the Release and the Lease Reassignment, to the knowledge of such counsel, no mortgage or deed of trust to which the Owner is a party or by which it is bound or other lien, charge or encumbrance, in all cases which are now in existence and which presently affect, or which may hereafter affect, any property of the Owner, now attach, or hereafter will attach, to the Equipment, or in any manner affect or will affect adversely the right, title and interest of the Agent or Lenders therein;

(iv) to the knowledge of counsel, there are no actions, suits or proceedings pending or threatened in any court or before any administrative body against or affecting the Owner or any of its properties which could have a materially adverse affect on the ability of the Owner to fulfill its obligations under this Agreement, the Lease, the Security Agreement, the Lease Assignment, the Consent and Acknowledgment or the Notes; and

(v) no authorization or approval from any governmental or public body or authority of the United States of America other than filing and recordation with the Interstate Commerce Commission, or of any of the States thereof or the District of Columbia is, to the knowledge of such counsel, necessary for the execution, delivery and performance by the Owner of this Agreement, the Lease, the Security Agreement, the Lease Assignment, the Consent and Acknowledgment or the Notes;

and as to such other matters incident to the transactions contemplated by this Agreement as the Lenders may reasonably request.

(c) An opinion of Messrs. Wyche, Burgess, Freeman & Parham, counsel for the Lessee, dated the Closing Date and addressed to the Lenders and the Owner to the effect set forth in clauses (i), (ii), (iv) and (vii) of subparagraph (a) of this Paragraph 4, insofar as such matters relate to the Lessee, and to the further effect that:

(i) the Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Carolina and is duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of the Lessee require such qualification; or if not so qualified, its failure so to qualify in any other jurisdiction will not have a materially adverse effect on this Agreement, the Lease or the Consent and Acknowledgment.

(ii) the Lessee has full corporate power, authority and legal right to carry on its principal business as now conducted and to perform its obligations under this Agreement, the Lease and the Consent and Acknowledgment;

(iii) neither the execution and delivery of this Agreement, the Lease or the Consent and Acknowledgment nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the articles of incorporation (as amended) or the by-laws (as amended) of the Lessee, or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder;

(iv) neither the execution and delivery by the Lessee of this Agreement, the Lease or the Consent and Acknowledgment nor the consummation of the transactions herein and therein contemplated, nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality;

(v) except for the respective interests of the Owner or the Lenders in the Equipment under the Lease, the Lease Assignment, the Lease Reassignment and the Security Agreement, to the knowledge of such counsel, no mortgage, deed of trust or other lien of any nature whatsoever, now in existence and which now covers or affects any property or interest therein of the Lessee, now attaches, or hereafter will attach, to the Equipment, or in any manner

affects or will affect adversely the right, title and interest of the Owner or the Lenders therein;

(vi) to the knowledge of counsel there are no actions, suits or proceedings pending or threatened against or affecting the Lessee, or any of its property rights, at law or in equity, or before any commission or other administrative agency, which could materially and adversely affect the condition, financial or other, of the Lessee, or its ability to perform its obligations under this Agreement, the Lease or the Consent and Acknowledgment and the Lessee is not in default with respect to any order or decree of any court or governmental commission, agency or instrumentality of which such counsel has knowledge;

(vii) the Lease has been filed and recorded with the Interstate Commerce Commission in accordance with the requirements of the Interstate Commerce Act, and no other filing, recordation, deposit or registration is necessary in order to protect the interest and rights of the Owner in and to the Lease, or in the Equipment, in the United States of America, any State thereof or the District of Columbia;

(viii) within twenty-one days following the execution and delivery of the Lease, the Lease and the Lease Assignment were deposited with the Registrar General of Canada (and provision made for publication of notice of such deposit in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada;

(ix) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Lease, the Lease Assignment or the Consent and Acknowledgment; and

(x) the Equipment will be used in interstate commerce and ownership thereof does not subject the Owner, the Agent or the Lenders either to the provisions of the Interstate Commerce Act or the authority of the Interstate Commerce Commission;

and as such other matters incident to the transactions contemplated by this Agreement as the Lenders or Owner may reasonably request.

(d) A certificate of an officer of the Lessee dated the Closing Date and reciting that it is intended for the purpose of the Lenders, the Agent and the Owner relying thereon, to the effect (i) that the Lessee is not in default under, and to the knowledge of the Lessee there is no event which with the passage of time or the giving of notice or both would place the Lessee in default under, this Agreement or the Lease, (ii) that the Lessee has paid all Additional Rent required to be paid under the Lease, (iii) that no Federal tax liens (including tax liens filed pursuant to Section 6323 of the United States Internal Revenue Code of 1954, as amended) or, to the best of the knowledge and belief of the Lessee, other tax liens have been filed and are currently in effect against the Lessee (or any members of the affiliated group within the meaning of Section 1504 of the Internal Revenue Code of 1954, as amended, of which the Lessee is a member) which could adversely affect the interest of the Lenders in the Equipment or the Lease or the rentals or other payments due and to become due thereunder, (iv) that each unit of the Equipment has been permanently and conspicuously marked on each side, in letters not less than one inch in height, in accordance with the requirements of the Lessee, with the words "Ownership subject to a Security Agreement filed with the Interstate Commerce Commission", or with words of similar import, (v) that no accumulated funding deficiency within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder, exists with respect to any defined benefit pension plan which is qualified within the meaning of Section 401(a) of the Internal Revenue Code of 1954, as amended, and which is sponsored by the Lessee; no Reportable Event (as defined in said Act) has occurred with respect to any such plan; and the Pension Benefit Guaranty Corporation, established under said Act, has not asserted that the Lessee has incurred any liability in connection with any such plan, and (vi) that the representations and warranties of the Lessee contained in Section 2 hereof are true and correct on and as of the Closing Date as if originally given on such date.

(e) A certificate of an officer of the Owner dated the Closing Date and reciting that it is intended for the purpose of the Lenders and the Agent relying thereon, to the effect (i) that no Federal tax liens (including tax liens filed pursuant to Section 6323 of the United States Internal Revenue Code of 1954, as amended) or, to the best of the knowledge and belief of the Owner, other tax liens have been filed and are currently in effect against the Lessor (or any members of the affiliated group within the meaning of Section 1504 of the Internal Revenue Code of 1954, as amended, of which the Owner is a member) which could adversely affect the interest of the Lenders in the Equipment or the Lease or the rentals or other payments due and to become due thereunder, (ii) that the Owner has made its investment in the Equipment in an amount equal to \$1,791,684.42, (iii) that the Owner has paid all Additional Interest to

the Interim Lender under the Interim Note, and (iv) that the representations and warranties of the Owner set forth in paragraph 2(a) hereof and in the Security Agreement are true and correct on and as of the Closing Date as if originally given on such date.

(f) The Lease Amendment duly executed and acknowledged by the Owner and the Lessee in form recordable with the Interstate Commerce Commission, and the original Lease (including the Lease Amendment) (delivered to the Agent only); i.e., the counterpart thereof which bears the legend "Original" conspicuously marked thereon.

(g) The Release and the Lease Reassignment (delivered to the Agent only) of the Interim Lender, duly executed and acknowledged by said corporation in form recordable with the Interstate Commerce Commission.

(h) Certificate of Insurance, satisfactory in form and substance to the Lenders and their special counsel, conforming to the requirements of Section 7 of the Lease (including identification of the Agent as an additional loss payee), or other documentation, satisfactory to said parties, evidencing compliance with such requirements.

(i) An opinion of counsel for the Agent to the effect that (i) this Agreement and the Security Agreement have each been duly authorized, executed and delivered and constitutes a legal and valid instrument, binding on the Agent and enforceable in accordance with its terms; and (ii) to the knowledge of such counsel, no mortgage or deed of trust to which the Agent is a party or by which it is bound or other lien, charge or encumbrance, in all cases which are now in existence and which presently affect, or which may hereafter affect, any property of the Agent, now attaches, or hereafter will attach, to the Equipment or the Lease, or in any manner affects or will hereafter affect adversely the right, title and interest of the Lenders or Owner therein.

In giving the opinions specified in subparagraphs (a), (b), (c) and (i) of this Paragraph 4, counsel may qualify its opinion to the effect that any agreement is a legal, valid and binding instrument enforceable in accordance with its terms by a general reference to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; that no opinion is rendered as to the specific remedy that any court, other governmental agency or body or arbitrator may grant, impose or render; and that the parties to any agreement or instrument not represented by such counsel have duly authorized, executed and delivered such agreement or instrument. In giving the opinion specified in subparagraph (a) of this Paragraph 4, counsel may rely (i) as to title to the Equipment on the Closing Date on the representation of the Owner in Paragraph A.4 of the Security Agreement, (ii) as to the filing (and the effectiveness thereof) of the Lease and

Lease Assignment with the Interstate Commerce Commission, on the opinion of counsel for the Lessee, (iii) as to the matters relating to the Owner, the Lessee and the Agent on the opinions of counsel referred to in subparagraphs (b), (c) and (i) of this Paragraph 4, (iv) as to the compliance by the Owner with the Securities Act of 1933, on the representation of the Owner contained in Section 2(a) hereof, and (v) as to any matter governed by the law of any jurisdiction other than the Commonwealth of Pennsylvania, or the United States, on the opinion of counsel for the Lessee as to such matter.

5. The obligation of Owner to issue the Promissory Notes is subject: (a) to the satisfaction of the conditions set forth in Section 4 hereof; (b) the payment by the Agent to the Interim Lender of the outstanding principal amount of the Interim Note and all accrued but unpaid interest thereon from July 1, 1979, to the Closing Date at the rate of 11.5% per annum; (c) the payment by the Lessee of all Additional Rent accrued to the Closing Date; (d) the due execution and acknowledgment by the Interim Lender of the Release and Lease Reassignment; and (e) the acknowledgment by Agent of its receipt of a certain letter addressed to it from Owner dated the Closing Date.

6. The Lessee shall from time to time remit all rentals, and other money payable pursuant to the Lease, to the Agent pursuant to the Lease Assignment and Lease Reassignment.

7. The Agent will accept payments made to it by or for the account of the Owner pursuant to the Lease, the Lease Assignment and the Lease Reassignment on account of the principal of and interest on the indebtedness evidenced by the Promissory Notes, and will apply such payments promptly in accordance with the provisions of Sections H and I of the Security Agreement. Agent shall provide to the Owner confirmation of the receipt and application of funds as set forth above.

8. The Agent will accept all sums paid to it pursuant to Section 7 of the Lease with respect to Casualty Occurrences (as therein defined) and immediately upon receipt thereof, will apply such sums in accordance with the provisions of Section F of the Security Agreement. Owner will furnish to the Agent, and Agent will furnish to each Lender, a revised schedule of payments showing the reduction in the installments or principal and interest thereafter remaining payable under the Promissory Notes.

Notwithstanding anything to the contrary contained herein or otherwise, if an Event of Default (as defined in the Security Agreement) has occurred and is continuing, all moneys held by or coming into the possession of the Agent under the Lease (including, without limitation, the net proceeds of any repossession and sale or lease of any unit of the Equipment after deduction of all expenses, including reasonable counsel fees, incurred by the Agent in connection

with such repossession and sale or lease or otherwise hereunder or under the Security Agreement, the Lease Assignment and Lease Reassignment which shall not theretofore have been reimbursed to the Agent by the Owner pursuant to the Security Agreement) shall be distributed immediately by such Agent pro rata among the Lenders in accordance with their respective interests under the Promissory Notes at the time of such distribution, and the Agent shall otherwise take such action as is referred to in this Paragraph 8. If an event which with the lapse of time or the giving of notice or both as provided in the Lease or in the Security Agreement could constitute an Event of Default has occurred and is continuing, all moneys which would otherwise, in whole or in part, be remitted to the Owner shall be retained by the Agent until such event shall either become an Event of Default (in which case such moneys shall be distributed to the Agent in accordance with the preceding sentence) or shall be cured or otherwise remedied so as to be incapable of becoming an Event of Default (in which case such moneys shall be distributed as provided in Sections H and I of the Security Agreement). The Agent acknowledges that any and all moneys received by it from time to time for the account or benefit of Lenders shall be held by it in accordance with the degree of care and responsibility applicable to a trustee of an express trust.

So long as, to the actual knowledge of Agent, no Event of Default (as defined in the Security Agreement) or other event which with the lapse of time or the giving of notice or both as provided in the Lease or in the Security Agreement could constitute an Event of Default shall have occurred and be continuing, the Agent shall pay to the Owner any funds received by it pursuant to the Lease, the Lease Assignment and the Lease Reassignment not necessary to satisfy the obligations of the Owner then due under the Promissory Notes and the Security Agreement.

All payments to be made hereunder and under the Lease, the Lease Assignment and the Lease Reassignment to the Agent by the Lessee shall be made by bank wire of immediately available funds to the Agent at its address as herein set forth.

All payments to be made by the Agent hereunder shall (subject to timely receipt by the Agent of available funds) be made by bank wire of immediately available funds to the Lenders at their respective addresses and to their respective accounts specified in Schedule A hereof (or at such other address and account as may be specified to the Agent in writing) and to the Owner at such address as may be specified to the Agent in writing.

Except as provided above in the event of a Casualty Occurrence, the Promissory Notes shall not be prepayable in whole or in part.

So long as, to the actual knowledge of the Agent, no Event of Default (as defined in the Security Agreement) or other event which with the lapse of time or the giving of notice or both as provided in the Lease or in the Security Agreement could constitute an Event of Default shall have occurred and be continuing, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights or taking or refraining from taking any action which may be vested in it, or which it may be entitled to assert or take, hereunder or under the Security Agreement, the Lease, the Lease Assignment and the Lease Reassignment, except as otherwise specifically provided herein. The Lenders and the Agent agree that the Agent shall not incur any liability to the Lenders in acting upon any notice, certificate or other paper or instrument believed by it to be genuine and signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the exercise of its best judgment, or which may seem to it to be necessary or desirable in the premises, except liability resulting from its own wilful misconduct or gross negligence; provided, however, that in case the Agent shall have actual knowledge of the occurrence of an Event of Default (as defined in the Security Agreement) or other event which with the lapse of time or the giving of notice or both as provided in the Lease or in the Security Agreement could constitute an Event of Default, it shall promptly notify the Owner, the Lessee and the Lenders thereof and shall take such action and assert such rights under the Security Agreement, the Lease and Lease Assignment and the Lease Reassignment as shall be agreed upon by the holders of interests totaling more than 66 2/3% of the aggregate principal amount then outstanding under the Promissory Notes; provided, further, that in the event that the Agent does not receive from the Owner or the Lessee any amount of principal of or interest on the Promissory Notes when due, with the result that an Event of Default shall thereby occur as provided in Section C.3 of the Security Agreement, the Agent, automatically and without the necessity of action by or instructions from the holders of the Promissory Notes, shall give the Owner and the Lessee the notice of nonpayment referred to in Section 10(a) of the Lease. In case the Agent is required to take action hereunder, it shall be indemnified against any liability or expense, including reasonable counsel fees and costs, in connection with taking such action or asserting such rights by the holders directing the Agent to take such action in proportion to each holder's interest in the aggregate principal amount then outstanding under the Promissory Note of the holders agreeing to such action.

The Agent may consult with competent legal counsel of its own choice, and shall not be under and liability for any reasonable action taken or suffered in good faith by it in accordance with the opinion of such counsel.

The Agent will promptly mail or deliver one counterpart or copy of all notices, statements, documents or schedules given or received by it pursuant to the Security Agreement, Lease, Lease Assignment or Lease Reassignment to each Lender.

All notices, instructions, directions and approvals to be delivered hereunder to the Agent by any Lender shall be in writing signed by an officer, assistant officer, manager or assistant manager of such Lender, and the Agent may rely on any notice, instruction, direction or approval so signed.

The Agent does not make any representation or assume any responsibility with respect to (i) the validity of this Agreement, the Security Agreement, the Lease, the Lease Assignment, the Lease Reassignment, the Consent and Acknowledgment or any certificate delivered pursuant hereto or thereto (except with respect to its own execution of any thereof) or any of the matters covered thereby, or (ii) the value of or the title to the Equipment.

In the event of any dispute with respect to the delivery or ownership or right to possession of funds or documents at any time held by the Agent hereunder (except with respect to disputes among persons or accounts claiming a participation in the Promissory Notes), or with respect to title to any unit of the Equipment, the Agent is hereby authorized and directed to retain, without liability to anyone, all or any of such funds or documents and title to such unit of the Equipment until such dispute shall have been settled by agreement approved by the Lenders or by final order, decree or judgment of a court of competent jurisdiction.

The Agent shall be entitled to terminate its duties and responsibilities hereunder by giving written notice to the Lenders and the Owner that the Agent desires to terminate such duties and responsibilities on a date (at least 30 days subsequent to the giving of such notice) stated in such notice; it being understood and agreed that the Agent shall also give such notice if it is directed so to do by the holders of interests totaling at least 66 2/3% of the aggregate principal amount then outstanding under the Notes. If, prior to the date stated in said notice, the holders of interests as aforesaid shall have requested in writing that the Agent assign to a person or institution designated by such holders all right, title and interest of the Agent under the Security Agreement, the Lease Assignment and the Lease Reassignment and in and to the Equipment and the Lease, the Agent shall comply with such request. In the event that such request is not received by the Agent on or before the date designated in said notice, the Agent shall be entitled to appoint a successor to act hereunder (which successor shall be a bank or trust company located in the Borough of Manhattan, City and State of New York or in Philadelphia, Pennsylvania and having capital and surplus

aggregating at least \$50,000,000), and to assign to such successor, subject to the provisions of this Agreement, all such right, title and interest of the Agent. Upon such assignment by the Agent to a person or institution designated by such holders or, in the absence of such designation, to a successor appointed by the Agent, the Agent shall thereupon be relieved of all duties and responsibilities hereunder.

9. The Lessee will deliver to each Lender, without further request on such Lender's part, all of the reports and other information described in Section 8 and Exhibit A of the Lease, such delivery to occur at the times prescribed therefor by such Section and Exhibit.

10. All insurance policies required under Section 7 of the Lease shall be endorsed so as to be payable to the Agent as its interest may appear, and shall be cancellable only upon written notice to the Agent as provided in said Section.

11. The Lessee will make all necessary arrangements for, and pay all expenses incidental to, the filing and recording of this Agreement, the Security Agreement, the Lease, the Lease Assignment and the Lease Reassignment with the Interstate Commerce Commission and any filings under the Uniform Commercial Code. The Lessee agrees to pay the reasonable fees and disbursements of Messrs. Morgan, Lewis & Bockius as special counsel for the Lenders and the reasonable fees and disbursements of the Agent and the reasonable fees and disbursements of Messrs. Saul, Ewing, Remick & Saul as counsel to the Owner.

12. In the event that either the Owner or the Lessee shall have knowledge of an Event of Default under the Lease or under the Security Agreement (as defined in the Security Agreement) or other event which with the lapse of time or the giving of notice or both as provided in the Lease or in the Security Agreement could constitute such an Event of Default, whether or not such party itself may be in default thereunder, such party shall give prompt telephonic notice (confirmed in writing) thereof to Agent.

13. National Railway Utilization Corporation and Pickens Railroad Company are jointly and severally liable hereunder to the same extent and purposes as if each were the sole Lessee, and any Event of Default (as defined in the Lease) or other event which with the giving of notice or the passage of time or both would constitute such an Event of Default will not excuse or constitute a defense to the performance by the other of the obligations of the Lessee under the Lease or hereunder.

14. This Agreement having been executed in the Commonwealth of Pennsylvania by at least one of the parties hereto, and having been delivered in said Commonwealth, all of the terms hereof, and all rights and obligations of the

parties hereto hereunder shall be governed by the laws of said Commonwealth. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought.

15. This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument. This Agreement shall become effective among the Lessee, the Owner, the Agent and the Lenders immediately upon execution hereof by all of said parties.

16. All notices and other communications given hereunder shall be given in writing and shall be deemed to have been given when delivered or deposited in the United States mail, registered or certified, postage prepaid, as follows:

If to Lessee:

402 Cedar Rock Street
Pickens, South Carolina 29671
Attn: Vice President - Finance

If to Owner:

Suite 203
Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

If to Agent:

17th and Chestnut Streets
Philadelphia, Pennsylvania
Attn: Corporate Trust Department

If to Lenders at their respective addresses indicated in Schedule A hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized, all as of the date first above written.

[CORPORATE SEAL]

NATIONAL RAILWAY UTILIZATION
CORPORATION

Attest:

Margaret E. Turner
Title: *Asst. Secretary*

By:

Charles W. Tunkle
Title: *Vice President*

[CORPORATE SEAL]

PICKENS RAILROAD COMPANY

Attest:

Martha E. Turner
Title: Asst. Secretary

By: W. G. P. Trumble
Title: Vice President

[CORPORATE SEAL]

HELEASCO ELEVEN, INC.

Attest:

D.W. Turner
Secretary

By: _____
Paul L. Mulholland
Vice President

[CORPORATE SEAL]

PROVIDENT NATIONAL BANK,
as Agent

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

GENERAL AMERICAN LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

INDIANAPOLIS LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

CONTINENTAL AMERICAN LIFE
INSURANCE COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

PICKENS RAILROAD COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

HELEASCO ELEVEN, INC.

Attest:

D.W. Turner
D.W. Turner
Secretary

By: *Paul A. Mulholland*
Paul A. Mulholland
Vice President

[CORPORATE SEAL]

PROVIDENT NATIONAL BANK,
as Agent

Attest:

William E. ...
Title: *Assistant Secretary*
[CORPORATE SEAL]

By: *William E. ...*
Title: *Vice President*
GENERAL AMERICAN LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

INDIANAPOLIS LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

CONTINENTAL AMERICAN LIFE
INSURANCE COMPANY

Attest:

Title:

By: _____
Title:

[CORPORATE SEAL]

PICKENS RAILROAD COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

HELEASCO ELEVEN, INC.

Attest:

D.W. Turner
Secretary

By: _____

Paul L. Mulholland
Vice President

[CORPORATE SEAL]

PROVIDENT NATIONAL BANK,
as Agent

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

GENERAL AMERICAN LIFE INSURANCE
COMPANY

Attest:

Heen Conroy

Title: Assistant Secretary

By: *William R. Thread* *for*

Title: Vice President and Treasurer

[CORPORATE SEAL]

INDIANAPOLIS LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

CONTINENTAL AMERICAN LIFE
INSURANCE COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

PICKENS RAILROAD COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

HELEASCO ELEVEN, INC.

Attest:

D.W. Turner
Secretary

By: _____

Paul L. Mulholland
Vice President

[CORPORATE SEAL]

PROVIDENT NATIONAL BANK,
as Agent

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

GENERAL AMERICAN LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

INDIANAPOLIS LIFE INSURANCE
COMPANY

Attest:



Title: Secretary/Treasurer

By: _____



Title: D. S. LAWHORN
Vice President

[CORPORATE SEAL]

CONTINENTAL AMERICAN LIFE
INSURANCE COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

PICKENS RAILROAD COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

HELEASCO ELEVEN, INC.

Attest:

D.W. Turner
Secretary

By: _____

Paul L. Mulholland
Vice President

[CORPORATE SEAL]

PROVIDENT NATIONAL BANK,
as Agent

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

GENERAL AMERICAN LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____

Title:

[CORPORATE SEAL]

INDIANAPOLIS LIFE INSURANCE
COMPANY

Attest:

Title:

By: _____

Title:

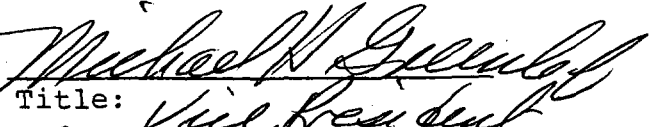
[CORPORATE SEAL]

CONTINENTAL AMERICAN LIFE
INSURANCE COMPANY

Attest:


Title: ASSISTANT SECRETARY

By: _____


Title: Vice President

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF PHILADELPHIA :

On this 6th day of August, 1979, before me personally appeared Charles P. Tishbarke, to me personally known, who, being by me duly sworn, says that he is Vice President of NATIONAL RAILWAY UTILIZATION CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Elsie Marlene Williams
Notary Public

My Commission Expires: ELSIE MARLENE WILLIAMS
Notary Public, Phila., Phila. Co.
My Commission Expires Oct. 18, 1982

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF PHILADELPHIA :

On this 6th day of August, 1979, before me personally appeared Charles P. Tishbarke, to me personally known, who, being by me duly sworn, says that he is Vice President of PICKENS RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Elsie Marlene Williams
Notary Public

My Commission Expires: ELSIE MARLENE WILLIAMS
Notary Public, Phila., Phila. Co.
My Commission Expires Oct. 18, 1982

STATE OF DELAWARE

:
: SS:
:

COUNTY OF NEW CASTLE

On this 7th day of August, 1979, before me personally appeared Paul A. Mulholland to me personally known, who, being by me duly sworn, says that he is Vice President of HELEASCO ELEVEN, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation and of said partnership.

[NOTARIAL SEAL]

Cynthia M. Moore
Notary Public

My Commission Expires:
NOTARY PUBLIC

My commission expires April 28, 1980

COMMONWEALTH OF PENNSYLVANIA :

: SS:

COUNTY OF PHILADELPHIA :

On this 9th day of August, 1979, before me personally appeared J. William Erb, to me personally known, who being by me duly sworn, says that he is Vice President of PROVIDENT NATIONAL BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Marcia Shprintz
Notary Public

My Commission Expires:

MARCIA SHPRINTZ, NOTARY PUBLIC
Philadelphia, Philadelphia County, Pa.
My Commission Expires 9/15/81

STATE OF Missouri :
City St Louis : SS:
COUNTY OF :

On this 8th day of August, 1979, before me personally appeared William R. Mead, to me personally known, who being by me duly sworn, says that he is Vice President and Treasurer of GENERAL AMERICAN LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

My Commission Expires: 11-3-82

Elizabeth Jordan
Notary Public

ELIZABETH JORDAN

NOTARY PUBLIC STATE OF MISSOURI
ST. LOUIS CO.

MY COMMISSION EXPIRES NOV. 3 1982
ISSUED THRU MISSOURI NOTARY ASSOC.

STATE OF :
COUNTY OF : SS:
:

On this _____ day of _____, 1979, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is _____ of INDIANAPOLIS LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

My Commission Expires:

Notary Public

STATE OF

:

: SS:

COUNTY OF

:

On this _____ day of _____, 1979, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is _____ of GENERAL AMERICAN LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Notary Public

My Commission Expires:

STATE OF INDIANA

:

: SS:

COUNTY OF MARION

:

On this 6th day of August, 1979, before me personally appeared D. S. Lawhorn, to me personally known, who being by me duly sworn, says that he is Vice President of INDIANAPOLIS LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Betty F. Cramer
Notary Public

My Commission Expires:

BETTY F. CRAMER, Notary Public
Resident Marion County, Indiana
My commission expires March 9, 1982

STATE OF Delaware

:

: ss:

COUNTY OF New Castle

:

On this 6th day of August, 1979, before me personally appeared Michael H. Greenleaf and Andrew F. Kautz, to me personally known, who being by me duly sworn, says that they are the Vice President and Asst. Treasurer of CONTINENTAL AMERICAN LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by the authority of its Board of Directors ^{and for by-laws} and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Jerry S. Walker

Notary Public

My Commission Expires: MY COMMISSION EXPIRES
OCTOBER 16, 1980

SCHEDULE A

General American Life Insurance Company

Principal Amount to be loaned: \$2,488,450

Mailing address and address
for manual delivery of documents:

700 Market Street
St. Louis, Missouri 63101

Attn: Securities Department

Address for delivery of funds:

Wire transfer in immediately
available funds (with sufficient
information to identify source
and application of funds) to:

First National Bank in St. Louis
510 Locust Street
St. Louis, Missouri 63101

Attn: Wire Transfer Department for credit to:
General American Life Insurance Company
(Account No. 00-0034-2)

(First National Bank in St. Louis should be
requested to give telephonic advice to:
General American Life Insurance Company,
Attn: Investment Accounting Department)

Indianapolis Life Insurance Company

Principal Amount to be loaned: \$995,380

Mailing Address

P.O. Box 1230-B
Indianapolis, Indiana 46206

Attn: Securities Department

Address for manual delivery
of documents

2960 North Meridian Street
Indianapolis, Indiana 46208

Attn: Securities Department

Address for delivery of funds:

Wire transfer in immediately
available funds (with sufficient
information to identify source
and application of funds) to:

Acct. No. 35-001-852
The Indiana National Bank
Wire Transfer Department
One Indiana Square
Indianapolis, Indiana 46266

Continental American Life Insurance Company
(Nominee: Mertz & Moyer)

Principal Amount to be loaned: \$696,766

Mailing address and address
for manual delivery of documents:

11th and King Streets
Wilmington, Delaware 19899

Attn: Securities Department

Address for delivery of funds:

Wire transfer in immediately
available funds (with sufficient
information to identify source
and application of funds) to:

Mertz & Moyer
c/o Wilmington Trust Company
Wilmington, Delaware 19899

SCHEDULE B

<u>Builder</u>	<u>Description</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>	<u>Purchase Price</u>	
				<u>Unit</u>	<u>Total</u>
Whittaker Corporation (Benwick Forge and Fabricating Division)	50' 6", 70-ton, Plate "C" Rigid Underframe Boxcars with 10' 0" Sliding Doors (Type XM)	135	HOSC 250065 through 250199	\$ 39,728	\$ 5,363,280
Evans Transportation Company (Southern Iron & Equipment Company Division)	50- 6", 70-ton, Plate "C", Rigid Underframe Boxcars with 10' 0" Sliding Doors (Type XM)	15	NSL 155567 through 155581	40,600	609,000
TOTAL PURCHASE PRICE				\$ 5,972,280	

LEASE OF RAILROAD EQUIPMENT

Dated as of May 31, 1979

between

HELEASCO ELEVEN , INC.
as Lessor,

and

PICKENS RAILROAD COMPANY
and
NATIONAL RAILWAY UTILIZATION CORPORATION,
as Lessee

LEASE NO. Y179-1290.1

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on JUNE 1, 1979, recordation number 10406, and deposited in the Office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada on May, 1979.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT
dated as of May 3/, 1979, between
HELEASCO ELEVEN, INC., a Delaware corporation (the "Lessor")
AND
PICKENS RAILROAD COMPANY, a South Carolina corporation,
AND
NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation,
(collectively, the "Lessee")

WHEREAS, National Railway Utilization Corporation ("NRUC") is a party to certain Purchase Agreements dated as of the date hereof (collectively, the "Purchase Agreements") with Whittaker Corporation (Berwick Forge & Fabricating Division) and with Evans Transportation Company (Southern Iron and Equipment Company Division) (collectively, the "Builders") wherein the Builders have agreed to manufacture, sell and deliver the units of railroad equipment described in Schedule 1 hereto (the "Equipment"); and

WHEREAS, NRUC has assigned its right to purchase the Equipment to Lessor pursuant to certain Purchase Agreement Assignments (the "Purchase Agreement Assignment") dated as of the date hereof; and

WHEREAS, the Lessor is financing its acquisition of the Equipment with First Maryland Leasecorp (the "Lender") pursuant to a certain Closing Agreement dated the date hereof (the "Closing Agreement"); and

WHEREAS, the non-recourse promissory note issued by Lessor in connection with the financing of its acquisition of the Equipment evidencing the amount of such financing (said non-recourse promissory note being herein called the "Note" and the amount due under the Note being herein called the "Note Indebtedness"), is secured by the Equipment and this Lease pursuant to a Security Agreement and an assignment of the Lease (the "Lease Assignment") (the Security Agreement and the Lease Assignment being herein called, collectively, the "Security Documents"), Lessee having consented and agreed to such assignment pursuant to a certain consent and agreement dated the date hereof (the "Consent and Agreement"); and

WHEREAS, the Lessee desires to lease from Lessor and Lessor to lease to Lessee such number of units of the Equipment as are delivered and accepted under this Lease (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease; the Lessee's obligations hereunder shall be absolute and unconditional, and, except as herein specifically provided in Section 7, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to

be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documents, or against the Builder, the Lender or any financial institution providing funds to the Lessor for the purpose of financing or refinancing the Units or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition or restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the Lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Lender for any reason whatsoever.

§ 2. Delivery and Acceptance. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Purchase Agreements, such appointment, however, to be subject to revocation and substitution by the Lessor by written notice delivered to the Builder and the Lessee. The Lessor will cause the Units to be delivered to the Lessee at the point within the United States of America at which the Units are delivered to the Lessor under the Purchase Agreement. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect each Unit, and, if such Unit is found to be acceptable, shall accept delivery of such Unit and the Lessee shall execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") in accordance with the provisions of Section 3 of the Purchase Agreements, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Inspection and Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 3.1. Basic Rent. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one interim payment and 60 consecutive quarterly payments payable in arrears. The interim payment for each such Unit is payable on July 1, 1979, and shall be in an amount equal to the product of the Purchase Price (as defined in the Purchase Agreements) for such Unit multiplied by .031627% for each day elapsed from and including the Closing Date (as defined in the Closing Agreement) for such Unit to, but not including, July 1, 1979. The 60 quarterly

payments are payable on January 1, April 1, July 1 and October 1 in each year, commencing October 1, 1979, to and including July 1, 1994. Each such quarterly payment shall be in an amount equal to 2.8464% of the Purchase Price of each such Unit then subject to this Lease. The interim payment and the quarterly payments hereinbefore described are hereinafter referred to as the "Basic Rent". The date on which each payment of Basic Rent is due as aforesaid is herein referred to as the "Due Date".

§ 3.2. Additional Rent. Lessee agrees to pay to Lessor as Additional Rent for each Unit subject to this Lease, together with each payment of Basic Rent, an amount equal to the Additional Interest, if any, then required to be paid by Lessor under the Closing Agreement dated even date herewith between Lessor and Lender on the Due Date of such Basic Rent payment or on such other date as such Additional Interest may become due under the Note.

§ 3.3. Rent Payments. If any rental payment date referred to above is not a business day, the rental otherwise payable on such date shall be payable on the next business day. The term "business day", as used herein, means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Philadelphia, Pennsylvania are authorized or obligated to remain closed. The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease (including, but not limited to, the payments provided for in this § 3 and in § 7 hereof), at the principal office of the Lender, for the account of the Lessor in care of the Lender, with instructions to the Lender to apply such payments in accordance with the provisions of the Security Agreement and to pay any balance immediately by wire transfer to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Lender by 11:00 a.m. in the city where such payment is to be made, on the date such payment is due.

§ 3.4. Rent Upon Default. After the occurrence of any event of default under Section 10 hereof and so long as such event of default shall continue and this Lease shall not have been terminated, in addition to the rental for each Unit payable pursuant to the preceding subsections 3.1 and 3.2, the Lessee shall pay to the Lessor on each Due Date a further rental per quarter-annual period for each Unit in an amount equal to the excess, if any, of the aggregate of all amounts, including mileage, receivable by the Lessee for each Unit from others in respect of such period over the total rental payable for each Unit pursuant to subsections 3.1 and 3.2 for such period.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder, and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on July 1, 1994, the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Lender under the Security Documents. If an event of default should occur under the Security Documents, the Lender may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and Agreement and (iii) the Lender is entitled to apply the "income and proceeds from the Equipment" (as defined in the Security Agreement) in accordance with the Security Documents, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee, at its own expense, will cause each Unit to be kept numbered with the road number set forth in Schedule 1 hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED
UNDER THE INTERSTATE COMMERCE ACT, 20-C."

or

"TITLE TO THIS CAR IS SUBJECT TO DOCUMENTS RECORDED
WITH THE INTERSTATE COMMERCE COMMISSION."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to and interest in, and Lender's interest in, such Unit and the rights of the Lessor under this Lease and the rights of the Lender under the Security Documents. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change or permit to be changed the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lender and the Lessor and duly filed, recorded and deposited by the Lessee in all offices where the Lease and the Security Documents shall have been filed and (ii) the Lessee shall have furnished the Lender and the Lessor an opinion of counsel to such effect and that no other filings are necessary to protect Lessor's and Lender's rights in and to such Units in the United States. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax, and other than the aggregate of all state or local taxes measured by net income based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and locality in which the Lessor has its principal place of business without apportionment to any other state and other than the amount of such excess state and local taxes to the extent that they reduce any other taxes payable by the Lessor and other than any state franchise tax which is not based on or measured by net income, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documents, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions (other than under the Security Agreement) which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and the Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or the Lessor is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Lender under the Security Documents. The Lessee agrees to give the Lessor notice of such contest brought in the Lessee's name within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefor if the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof, and the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

Lessee agrees to and does hereby indemnify Lessor with respect to impositions to the same extent as Lessor is indemnified under this Section 6. Accordingly, the term "Lessor", as used in this Section 6, shall be read as "Lessor and/or Lender" as is appropriate in the context in which it is used.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Lender in such Units, as shall be satisfactory to them or, where not so permitted, will notify the Lessor and the Lender of such requirement and will prepare and deliver such reports to them within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to them; provided, however, that the Lessor shall, with respect to any state or political subdivision thereof of the United States of America, file required returns, statements and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by Lessor's earnings or gross receipts arising from the Units, or the value added by the Lessor thereto as the Lessee shall determine are required to be filed, and as shall be prepared by the Lessee, and the Lessor shall remit the amount thereof upon payment by the Lessee to the Lessor (such payment to be made forthwith upon demand by the Lessor therefor) of such taxes, fees and charges except as provided above. All costs and expenses (including legal and accounting fees) of preparing such returns or reports shall be borne by the Lessee. To the extent that the Lessor has information necessary to the preparation of such returns, statements and reports, it will furnish such information to the Lessee.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

In the event the Lessee may be prohibited by law or is impaired from contesting in its own name any imposition covered by this § 6 in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such imposition. The Lessor shall not be obligated to take any such action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. The Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Lessor or Lessee under this § 6. The Lessee shall be entitled to any refund received by the Lessor or the Lessee in respect of any imposition paid by the Lessee, provided no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the Lessor would have been in had such imposition not been imposed.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at the Lessee's own cost and expense, it will be responsible for all maintenance and repairs required to maintain and keep all of the Units which are subject to this Lease in good operating order, repair and condition, eligible for interchange service, and in compliance with the requirements of any governmental authority having jurisdiction thereof.

In the event that any Unit shall be or become lost, stolen, destroyed, or, in Lessee's reasonable determination, worn out, irreparably damaged or rendered permanently unfit for use, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government for a stated period not to exceed the remaining term of the Lease (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Lender with respect thereto. On the rental payment date next succeeding such notice, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit and the Lessee shall pay all costs of removal of such Unit and of freight to the place designated by Lessee for the disposal of the Unit as hereinafter set forth and any storage costs incurred until such disposal.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the percentage of the Purchase Price of such Unit set forth in Schedule 2 hereto applicable to such payment date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease at the expiration of the original or extended term thereof and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 25% of the Purchase Price of such Unit (unless such termination occurs after the term of this Lease has been extended pursuant to § 13 hereof, in which case the amount of such Casualty Value shall be as agreed upon between the Lessor and the Lessee at the time of such extension). Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence by reason of its being worn out, destroyed, irreparably damaged, or rendered permanently unfit for use under this Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, has made any payments required by § 6 hereof and no Event of Default or event which, after notice or lapse of time or both, would have become an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to a fee of ten percent (10%) of the proceeds of such sale and, in addition thereto, to the balance of the proceeds of such sale, after reimbursement to Lessor of its expenses incurred in connection with such sale, to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor.

In the event of the requisition for use (which is not a Casualty Occurrence) by the United States Government (the "Government") of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations under this Lease with respect to such Unit, including, without limitation, the obligation to make rental payments as provided in § 3 hereof, shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or § 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall, in all other respects, comply with the provisions of said § 11 or § 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and

maintained all-risk, physical loss and damage insurance in respect of the Units in an amount at least equal to the Casualty Value of such Units at the time subject hereto, and public liability insurance in amounts (but not less than \$3,000,000 per accident) and against risks customarily insured against by others in the Lessee's industry in respect of similar equipment. All such insurance shall be in such form and written by such companies as may be reasonably acceptable to the Lessor and Lender. All policies evidencing such insurance shall contain an agreement by the insurers that such policies shall not be cancelled or the amount of coverage thereof or persons covered thereunder adversely changed without at least 30 days' prior written notice to the Lessor and the Lender by the insurers or the insurers' authorized representative, as the case may be. All policies shall name as additional assureds (as their interests may appear) and as sole loss payees (in the case of all-risk physical loss and damage insurance), the Lessor and Lender, so long as the indebtedness, if any, evidenced by the Security Documents shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit and provided that no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, and provided that no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing. Anything to the contrary contained in the foregoing notwithstanding, provided the Lessee has first obtained the written consent of the Lender, the Lessee, with the consent of the Lessor, which consent shall not be unreasonably withheld, shall have the right to assume the risk of loss or damage to the Equipment when it is not located on Lessee's lines which would otherwise have been covered under the all-risk physical loss and damage insurance otherwise required under this paragraph so long as Lessee's net worth shall be at least \$6,000,000 and during any twelve-month period Lessee shall incur no cash loss of earnings in excess of \$1,000,000. If Lessor and Lender shall permit Lessee to assume the risk of loss or damage to the Equipment as provided in the preceding sentence and if subsequent thereto any financial institutions financing Lessee's or any lessor's acquisitions of railroad equipment to be leased to Lessee does not permit Lessee to similarly assume risk of loss or damage as provided in the preceding sentence, then Lessee agrees that it will give notice thereof to Lessor and Lender and will provide Lessor and Lender the same insurance coverage as it provides to such financial institution and lessor, if any.

§ 8. Reports and Inspection. On or before March 31 in each year, commencing with the calendar year 1980, the Lessee will furnish to the Lessor and the Lender (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documents, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor

all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Documents have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Equipment pursuant to § 7 hereof, and (b) a certification of insurance coverage from the Lessee's independent broker stating the amounts of such insurance in effect. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease. The Lessee shall promptly notify the Lessor and the Lender of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

The Lessee shall furnish to the Lessor and Lender the reports required to be furnished to the Lessor pursuant to Exhibit A attached hereto.

§ 9. Disclaimer of Warranties; Compliance With Laws and Rules.
THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole costs and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Sections 6 and 7 of the Purchase Agreement; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Lender, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative,

executive, administrative or judicial body exercising any power or jurisdiction over the Units and with all applicable interchange rules, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, upon written notice to the Lessor and Lender, at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Lender, adversely affect the property or rights of the Lessor or the Lender under this Lease or under the Security Documents. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease. Any additions, modifications and improvements made by the Lessee (other than additions, modifications and improvements required to maintain each Unit's eligibility for interchange service or to comply with the provisions of the first paragraph of § 7 or the first sentence of this paragraph) which are readily removable without causing material damage to the Units shall be owned by the Lessee and, provided Lessee shall repair the damage caused by such removal, may, except if an Event of Default or an event which, with the lapse of time and/or demand, or both, shall constitute an Event of Default, shall have occurred and then be continuing, be removed by the Lessee at any time during the term of this Lease or any renewal thereof and prior to the return thereof to the Lessor pursuant to § 14 hereof.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Lender from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof (except for Lessor's wilfull misconduct or negligence) and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of the entering into or the performance of or the occurrence of an Event of Default hereunder or an Event of Default under the Security Documents arising as a result thereof, this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Equipment by the Lender pursuant to any provision of the Security Documents resulting from a default under this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease and the return of the Units as provided in § 14 of this Lease; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the Note Indebtedness and shall not be deemed to operate as a guarantee of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The Lessee further agrees to indemnify, protect and hold harmless the Lender and the Builder as third party beneficiaries hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lender or the Builder because of the use in or about the construction or operation of any of the Units of any article of material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee from which liability may be charged against the Builder under the Purchase Agreement.

The Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 of this Lease and such default shall continue for five (5) business days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for five (5) business days after written notice from the Lessor or the Lender to the Lessee specifying the default and demanding that the same be remedied;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

(c) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, in the Consent and Agreement, in the Purchase Agreement Assignment, or in the Closing Agreement continuing for thirty (30) days after written notice from the Lessor or the Lender to the Lessee specifying the default and demanding that the same be remedied;

(d) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as hereafter amended, shall be filed by or against the Lessee (or either of them) and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent

and Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(e) any other proceedings shall be commenced by or against the Lessee or either of them for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent and Agreement), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent and Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

(f) any representation or warranty of the Lessee contained herein or in the Closing Agreement shall be, when made, or, if such representation or warranty shall be continuing, shall become inaccurate in any material respect;

(g) if Pickens Railroad Company shall cease to be the wholly-owned subsidiary of National Railway Utilization Corporation without the consent of the Lessor and Lender to such occurrence having been first obtained;

then, in any such case, the Lessor, at its option, may:

(i) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee (or either of them) of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(ii) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee (and each of them) to the use of the Units shall terminate as though this Lease had never been made, but the Lessee (and each of them) shall remain liable only as herein provided; and thereupon the Lessor may, by its agents, enter

upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, sell, operate, lease to others and enjoy the same free from any right of the Lessee to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which, under the terms of this Lease, may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as liquidated damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of 10% per annum discount, compounded quarter-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, provided, however, that in the event that the Lessor shall have rented any Unit, then the reasonably estimated rental with respect to any such rental period shall be equal to that rental actually obtained by Lessor during such rental period; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives (i) any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law and (ii) any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessor may, upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Lessor, take or cause to be taken by its agent or agents, immediate possession of each of the Units, and may remove the same from possession and use of the Lessee or any other person and for such purpose may enter upon the premises of the Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities of the Lessee, subject to all mandatory requirements of due process of law.

If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit so delivered shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall:

(a) forthwith and in the usual manner, place such Units upon such storage tracks of the Lessee or any of its affiliates or any other railroad as the Lessor shall be able to reasonably designate, and Lessee shall be responsible for all additional storage expenses;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c). transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day after such termination an amount equal to the amount, if any, by which .031627% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor on such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure, to the extent assigned, to the benefit of the Lessor's assigns (including the Lender); and, if this Lease is assigned to the Lender, the fact that the Lender is specifically named herein in certain provisions shall not be construed as limiting the rights assigned to the Lender pursuant to such assignment.

So long as no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default under the Lease or the Security Documents shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Lender and further provided that any such assignment or transfer shall be expressly subordinate to the rights of Lessor and Lender, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Lender or resulting from claims against the Lessor or Lender not related to the ownership of the Units, the leasing thereof or the Lender's security interest therein) upon or with respect to any Unit or the interest of the Lessor, the Lender or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and Lender, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph hereof.

So long as no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default under the Lease shall have occurred and be continuing, the Lessee shall be entitled to the possession of the Units and shall also be entitled (i) to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and (ii) to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder, under the Closing Agreement and under the Consent and Agreement) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, (i) that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease or the Closing Agreement, (ii) such assignee, Lessee or transferee shall be of a character so that after giving effect to such merger, consolidation, lease or acquisition, the ability of the assignee, lessee or transferee to perform the obligations of the Lessee hereunder shall not, in the reasonable opinion of the Lessor and the Lender, be adversely affected, and (iii) that such acquisition or lease of

railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Lender hereunder which shall be and remain those of a principal and not a surety.

§ 13. Renewal Options and Purchase Option. The Lessor intends to retain the Units for re-lease at the expiration of the term of this Lease. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder or under any other agreement with Lessor, the Lessee may, by written notice delivered to the Lessor not less than seven (7) months nor more than nine months prior to the end of the original term or the first extended term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for a two-year term commencing on the scheduled expiration of the original term or the first extended term of this Lease, as the case may be. Such extension shall be on the same terms and conditions as are contained in this Lease, except as to the amount of rentals, which shall be at a "Fair Market Rental" (as defined in this § 13) payable quarterly in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between the Lessor and the Lessee at the time of such extension.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than seven months nor more than nine months prior to the end of the original term or any extended term of this Lease, elect to purchase all but not fewer than all of the Units then covered by this Lease at a Fair Market Purchase Price (as defined in this § 13) payable at the end of the then current term of this Lease.

Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the rental or purchase price, as the case may be which would obtain in an arm's length transaction between an informed and willing lessee (other than a lessee currently in possession) or purchaser and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental. If, after 60 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or to exercise its purchase option, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, the same shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination thereof by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or Fair Market Purchase Price, as the case may be, of the Units within 90 days after his appointment. If, because of their use hereunder or other-

wise, any of the Units shall not be available for inspection at reasonably designated times and places, such appraiser shall be authorized and entitled to assume in delivering his report hereunder that such Units are in good condition and that Lessee has fulfilled with respect thereto all of its obligations hereunder. If the parties shall have appointed a single appraiser, the determination of the single appraiser appointed shall be final. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and Fair Market Purchase Price and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

§ 14. Return of Units Upon Expiration of Lease Term. As soon as practicable on or after the termination of the term of this Lease otherwise than pursuant to § 10 hereof (and in any event not later than 90 days after the termination of the term of this Lease), the Lessee will, at its own costs and expense, at the request of the Lessor, cause each Unit to be transported to the point or points listed on Schedule 3 attached hereto as shall be designated by the Lessor at least four (4) months immediately prior to such termination; the assembly, delivery, and transporting of each Unit to be at the expense and risk of the Lessee. The assembling, delivery, and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to cause the assembly, delivery, and transporting of the Units. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. Lessee further agrees, at Lessor's request, to paint over Lessee's markings.

In the event all Units are not returned to Lessor at the termination of the Lease, Lessee shall pay to Lessor the Fair Market Rental for each Unit not so returned for each day from the termination of the Lease to the day such Unit is returned in accordance with the provisions of this Section 14. The amounts to be paid under the preceding sentence shall be due and payable on the first day of each month subsequent to the termination of the Lease, such payments to be made by immediately available funds wire transferred to a Bank designated by Lessor. Lessee shall deliver to Lessor on each date such payments are to be made a statement as to the computation and correctness of such payments.

In the event that all Units are not returned to Lessor within ninety (90) days after the termination of the Lease, Lessor shall

be free to exercise all legal and equitable remedies to compel Lessee to return such cars and seek recovery for damages for failure to do so. In addition thereto, and not in lieu thereof, Lessor, by notice to Lessee within twenty (20) days after the expiration of said ninety-day period, may elect (but shall not be required to do so) to treat the Lease as having been extended (i) for those Units not returned in accordance with the provisions of this Section 14 as of the date of such notice or (ii) if less than 80% of the Units under the Lease as of the termination of the Lease have been returned in accordance with the provisions of this Section 14 as of the date of such notice, for all Units under the Lease as of the termination of the Lease, for an additional two-year period commencing upon the scheduled termination of the Lease. Such extension, except as otherwise provided herein, shall be on the same terms and conditions as contained in this Lease except that, unless otherwise agreed by the parties, the applicable Casualty Value shall be the greater of replacement cost or 25% of the Purchase Price of the Unit. For the purposes of this Section 14, the provisions of the last seven sentences of Section 13 hereof shall be applicable to the determination of Fair Market Rental, except that (i) during the twenty-day period provided for discussions relative to the appointment of an independent qualified appraiser, the parties shall also consult with each other for the purpose of agreeing upon a Fair Market Rental, the appointment of such appraiser to be made only if the parties fail to reach such agreement, (ii) the appraiser, if appointed, shall be instructed to determine the Fair Market Rental within twenty (20) days after his appointment in lieu of the ninety (90) day period provided in Section 13 and (iii) the expenses of the appraisal procedure shall be borne solely by Lessee.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Lease Assignment, the Security Agreement and any assignments hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documents and will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Lender for the purpose of proper protection, to their satisfaction, of the Lender's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the Security Documents and the assignments hereof and thereof to the Lender; and the Lessee will promptly furnish to the Lender and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory in form and substance to the Lender and the Lessor except that such opinion shall not opine as to the effect of any filing in Canada. This Lease and the Security Documents shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum equal to 15% (or the maximum per annum rate of interest permitted by law, whichever is less) on the overdue rentals and other obligations for the period of time during which they are overdue.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, Suite 203, Springer Building, 3411 Silverside Road, Wilmington, Delaware 19810, attention: President; and

(b) if to the Lessee, at 402 Cedar Rock Street, Pickens, South Carolina 29671, attention: Vice President-Finance

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Lender at 25 South Charles Street, Baltimore, Maryland 21201, attention: Donald Hooker, Jr., President.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Obligations of Lessee. Pickens Railroad Company and National Railway Utilization Corporation are each jointly and severally liable hereunder to the same extent and purpose as if each were the sole Lessee, and any event of default by either shall not excuse or constitute a defense to performance by the other of all obligations under the Lease.

§ 20. Lender. The capitalized term "Lender" shall mean and include not only First Maryland Leasecorp but also any person, firm or organization to whom First Maryland Leasecorp shall sell, transfer or assign the Non-Recourse Promissory Note and Security Documents, hereinafter ("Assignee"). Lessee agrees to take such steps and execute such documents as such Assignee shall reasonably require in order to facilitate such sale, transfer or assignment and Lessee shall hold Lessor harmless against all costs, including counsel fees, incurred in connection therewith.

§ 21. Right of Lessor to Perform. If any event set forth in clauses (c) and (f) of the first paragraph of § 10 hereof occurs, the Lessor may, after the expiration of any notice periods specified therein, observe or perform any such covenants, conditions and agreements of the Lessee, the non-observance or non-performance of which caused such default, in order to cure such default. Lessee hereby agrees that the amount of any payment made in connection therewith and the amount of the reasonable expenses of the Lessor incurred in connection with such observance or performance, together with interest at the rate of 15% per annum (or the maximum per annum rate of interest permitted by law, whichever is less) on such amounts from the time such payment shall be payable by the Lessee upon demand of the Lessor.

§ 22. Successors and Assigns. This Lease will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

§ 23. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lender pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

§ 24. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

(Corporate Seal)

HELEASCO ELEVEN, INC.

Attest:

By R. H. Beckus Hoff
Vice President

R. E. [Signature]
Assistant Secretary

(Corporate Seal)

PICKENS RAILROAD COMPANY

Attest:

By Novelrow B. Mounts Jr.
Title Vice Pres.

M. E. [Signature]
Assistant Secretary

NATIONAL RAILWAY UTILIZATION
CORPORATION

(Corporate Seal)

Attest:

Martha E. Turner
Assistant Secretary

By *Walter B. Wood*
S.R. Vice President and Treasurer

COMMONWEALTH OF PENNSYLVANIA)
) ss:
 COUNTY OF)

On this day of , 1979, before me personally appeared
 to me personally known, who, being by me duly sworn, says that he is
 of NATIONAL RAILWAY UTILIZATION CORPORATION,
 that one of the seals affixed to the foregoing instrument is the corporate
 seal of said corporation, that said instrument was signed and sealed on
 behalf of said corporation by authority of its Board of Directors, and
 he acknowledged that the execution of the foregoing instrument was the
 free act and deed of said corporation.

Notary Public

SEAL

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA)
) ss:
 COUNTY OF)

On this day of , 1979, before me
 personally appeared
 to me personally known, by me duly sworn, says that he is
 of PICKENS RAILROAD COMPANY, that one of the seals
 affixed to the foregoing instrument is the corporate seal of said corpor-
 ation, that said instrument was signed and sealed on behalf of said
 corporation by authority of its Board of Directors, and he acknowledged
 that the execution of the foregoing instrument was the free act and deed
 of said corporation.

Notary Public

SEAL

My Commission Expires:

PER HHB - Executed L-24 was removed from Lease and attached to another document
 by Piper & Marbury.

STATE OF DELAWARE

)

) ss:

COUNTY OF NEW CASTLE

)

On this 30th day of May, 1979, before me personally appeared R. L. Beckersheff, to me personally known, who, being by me duly sworn, says that he is ~~Vice~~ President of HELEASCO ELEVEN, INC., that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Selen P. Brown
Notary Public

SEAL

My Commission Expires:

SCHEDULE 1 TO LEASE

<u>Builder</u>	<u>Description</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>	<u>Purchase Price</u>	
				<u>Unit</u>	<u>Total</u>
Mittaker Corporation (Derwick Forge and Fabricating Division)	50' 6", 70-ton, Plate "C", Rigid Underframe Boxcars with 10' 0" Sliding Doors (Type XM)	135	HOSC 250065 through 250199	\$39,728	\$5,363,280
Evans Transportation Company (Southern Iron & Equipment Company Division)	50' 6", 70-ton, Plate "C", Rigid Underframe Boxcars with 10' 0" Sliding Doors (Type XM)	15	NSL 155567 through 155581	40,600	609,000
				<u>TOTAL PURCHASE PRICE \$5,972,280</u>	

SCHEDULE 2 TO LEASE
CASUALTY VALUES

<u>Rental Payment No.</u>	<u>Percentage of Purchase Price</u>	<u>Rental Payment No.</u>	<u>Percentage of Purchase Price</u>
Interim	112.28	31	78.22
1	109.43	32	77.36
2	111.81	33	76.50
3	113.50	34	73.54
4	114.57	35	72.56
5	115.02	36	71.57
6	113.99	37	70.54
7	114.04	38	67.38
8	114.35	39	66.25
9	114.88	40	65.11
10	113.56	41	63.93
11	113.95	42	60.62
12	114.33	43	59.33
13	107.62	44	58.04
14	106.03	45	56.71
15	106.13	46	53.29
16	106.21	47	51.84
17	106.27	48	50.40
18	104.12	49	48.91
19	104.04	50	45.45
20	103.93	51	43.84
21	96.73	52	42.25
22	94.45	53	40.60
23	94.06	54	37.15
24	93.66	55	35.38
25	93.23	56	33.63
26	90.53	57	31.86
27	89.97	58	28.58
28	89.40	59	26.78
29	81.74	60	25.00
30	79.05		

SCHEDULE 3 TO LEASE
DELIVERY POINTS

Upon the expiration or termination of the Lease, the points or areas in which Lessor may designate a yard or yards to which the Units are to be delivered are as follows:

1. Chicago, Illinois
2. New York, New York
3. St. Louis, Missouri
4. Washington, D. C.
5. Atlanta, Georgia
6. Pittsburgh, Pennsylvania
7. Cleveland, Ohio
8. Kansas City, Kansas/Missouri

1. Financial Information: The Lessee will deliver or cause to be delivered to the Lessor and to the Lender (i) as soon as available, and in any event within 90 days after the end of the applicable accounting period, copies of the consolidated balance sheet of the Lessee as of the end of its first, second and third quarterly accounting periods in each of its fiscal years and copies of the related consolidated statements of income and retained earnings of the Lessee for the portion of its fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating in comparative form the figures for the corresponding date and period in the previous fiscal year, (ii) as soon as available, and in any event within 120 days after the end of each fiscal year, copies, in comparative form with the preceding fiscal year, of the consolidated balance sheet of the Lessee as at the end of such fiscal year, and of the statements of income and retained earnings of the Lessee for such fiscal year, all in reasonable detail and stating in comparative form the consolidated figures as of the end of and for the previous fiscal year, and certified by independent public accountants of recognized national standing, (iii) as soon as available, a copy of each published financial report and, if requested in writing, the Annual Report to the Interstate Commerce Commission which is required to be filed by the Lessee and (iv) with reasonable promptness, such other data and information as from time to time may be reasonably requested.
2. Certificate as to Defaults:
 - a. The Lessee will deliver or cause to be delivered to the Lessor and the Lender (i) as soon as available and in any event within 120 days after the end of each fiscal year, a certificate signed by the President, any Vice President or the senior financial officer of the Lessee stating that a review of the activities of the Lessee during such year has been made under his supervision with a view to determining whether the Lessee has kept, performed and fulfilled all of its obligations under the Lease and that, to the best of his knowledge, the Lessee, during such year, has kept, performed and fulfilled each and every covenant, obligation and condition contained in the Lease, or, if a default shall exist or have existed, specifying such default and the nature and status thereof.
 - b. The Lessee will deliver or cause to be delivered to Lessor and to Lender, promptly upon any responsible officer's becoming aware of any condition which constitutes an Event of Default under the Lease or which, after notice or lapse of time or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate official of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

AMENDMENT TO LEASE OF RAILROAD EQUIPMENT

HELEASCO ELEVEN, INC., a Delaware corporation (the "Lessor"), and PICKENS RAILROAD COMPANY and NATIONAL RAILWAY UTILIZATION CORPORATION, both South Carolina corporations (collectively, "Lessee"), in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, agree as follows:

1. The Lease of Railroad Equipment, dated as of May 31, 1979, Lease No. Y179-1290.1, between Lessor and Lessee (the "Lease"), is hereby amended as follows:

(a) Section 1 of the Lease is hereby amended to restate the penultimate sentence thereof as follows:

"To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon at, by statute or otherwise, to terminate, cancel, quit or surrender the Lease or any of the Units except in accordance with the express terms hereof."

(b) Section 6 of the Lease is hereby amended to change the word "Lessor" in the first line of the second paragraph thereof to the word "Lender".

(c) Section 10 of the Lease is hereby amended to add the following new paragraph thereof:

"(h) The Lessee shall fail to provide and maintain insurance as required by Section 7 hereof;"

(d) Section 13 of the Lease is hereby amended by substituting the word "or" for the word "and" in the third line of the first paragraph and in the first line of the second paragraph.

(e) Section 17 of the Lease is hereby amended by deleting the last sentence thereof and substituting therefor the following sentence:

"Copies of each such notice shall be given to Agent for the Lenders at 17th and Chestnut Streets, Philadelphia, Pennsylvania 19101, Attention: Corporate Trust Department."

(f) Section 20 of the Lease is hereby amended to substitute a new first sentence thereof as follows:

"The capitalized term 'Lender' or 'Lenders' shall mean and include not only First Maryland Leasecorp but after the closing contemplated by the Participation Agreement, the Agent named therein or any successor agent and the parties named in Schedule A thereto and their respective successors and assigns, such Agent and Lenders under the Participation Agreement shall be hereinafter referred to as the "Assignee".

2. From and after the date hereof, the term "Closing Agreement" shall be deemed to refer to the Participation Agreement, dated as of August 10, 1979, among National Railway Utilization Corporation, Pickens Railroad Company, Heleasco Eleven, Inc., Provident National Bank, as Agent and the parties named in Schedule A thereto.

3. Except as amended by this Amendment, the terms and conditions of the Lease are hereby ratified and confirmed and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed
this Amendment by their duly authorized officers as of this 10th
day of August, 1979.

[Corporate Seal]

HELEASCO ELEVEN, INC.

Attest:

Title:

By _____

Title:

[Corporate Seal]

NATIONAL RAILWAY UTILIZATION CORPORATION

Attest:

Title:

By _____

Title:

[Corporate Seal]

PICKENS RAILROAD COMPANY

Attest:

Title:

By _____

Title:

COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF)

) ss:

On this day of , 1979, before me personally appeared
to me personally known, who, being by me duly sworn, says that he
is of NATIONAL RAILWAY UTILIZATION CORPORATION,
that one of the seals affixed to the foregoing instrument is the
corporate seal of said corporation, that said instrument was
signed and sealed on behalf of said corporation by authority of
its Board of Directors, and he acknowledged that the execution of
the foregoing instrument was the free act and deed of said
corporation.

Notary Public

SEAL

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF)

) ss:

On this day of , 1979, before me
personally appeared
to me personally known, by me duly sworn, says that he is
 of PICKENS RAILROAD COMPANY, that one of the
seals affixed to the foregoing instrument is the corporate seal
of said corporation, that said instrument was signed and sealed
on behalf of said corporation by authority of its Board of
Directors, and he acknowledged that the execution of the fore-
going instrument was the free act and deed of said corporation.

Notary Public

SEAL

My Commission Expires:

STATE OF DELAWARE)
) ss:
COUNTY OF NEW CASTLE)

On this day of , 1979 before me
personally appeared , to me
personally known, who, being by me duly sworn, says that he is
 of HELEASCO ELEVEN, INC., that one of the
seals affixed to the foregoing instrument is the seal of said
corporation, that said instrument was signed and sealed on
behalf of said corporation by authority of its Board of Directors,
and he acknowledged that the execution of the foregoing instru-
ment was the free act and deed of said corporation.

Notary Public

SEAL

My Commission Expires:

ASSIGNMENT OF LEASE

EXHIBIT B

HELEASCO ELEVEN, INC. ("Assignor"), a Delaware corporation, hereby assigns and transfers to FIRST MARYLAND LEASECORP, a Maryland corporation, ("Assignee") all of Assignor's right, title and interest in and to the lease dated as of the date hereof (Lease No. Y179-1290.1) and all rental schedules and supplements thereto ("Lease") of which National Railway Utilization Corporation and Pickens Railroad Company, with addresses, respectively, at 1100 Centre Square East, 1500 Market Street, Philadelphia, Pennsylvania 19101 and at Cedar Rock Street, Pickens, South Carolina 29671, are lessees and Assignor is lessor, together with all rentals and other moneys coming due thereunder and all proceeds of insurance, condemnation and requisition proceedings and sale or other dispositions of any of the property subject thereto payable to or receivable by the Assignor under or in connection therewith, and all rights, powers and remedies (but none of the duties or obligations, if any) of Assignor under the Lease, including, exclusively on the part of the Assignee, all rights of the Assignor to give and receive any notice, consent, waiver, demand or approval under or in respect of the Lease, to exercise any election or option thereunder or in respect thereof, to accept any surrender of any property subject thereto, to execute and deliver any bill of sale for any such property, and to do all other things which Assignor is entitled to do under this Lease.

Assignor authorizes Assignee to do every act and thing in the name of the Assignor, Assignee or otherwise which Assignee may deem advisable to enforce the terms of the Lease, and the Assignor hereby irrevocably appoints Assignee the true and lawful attorney for the Assignor with full power of substitution and revocation, together with full power and authority in the name of the Assignor, Assignee or otherwise, to demand, enforce, collect, receive, receipt and give releases for any moneys due or to become due under or arising out of the lease or any policy of insurance or indemnity relating to the property subject thereto or the Lease (including any returns of premium), to endorse all checks and other instruments payable to Assignor, and to do and take all such other actions as are referred to in the preceding paragraph relating to the Lease or such property, to file any claims or institute any proceedings for the foregoing which Assignee deems necessary, and to compromise any such demand, claim or action.

This Assignment is made pursuant to and for the purposes of a certain Security Agreement of even date herewith given by Assignor to Assignee to secure the payment of Assignor's Note and other obligations as provided therein and the Assignee does not, by reason hereof, assume any of the obligations of the Lessor under the Lease.

Executed as of May 31 , 1979.

HELEASCO ELEVEN, INC.

(Corporate Seal)

By *R. L. Beckwith*
President

Attest:

R. L. Beckwith
Asst. Secretary

STATE OF *Delaware*
COUNTY OF *New Castle* : SS:

On this *30th* day of May, 1979, before me personally appeared *R. L. Beckwith*, to me personally known, who, being by me duly sworn, says that he is President of HELEASCO ELEVEN, INC.; that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Steven P. Brown

Notary Public

My Commission Expires:

PROMISSORY NOTE
(NON-RECOURSE)

\$ _____

Wilmington, Delaware

August __, 1979

HELEASCO ELEVEN, INC. ("Maker"), a Delaware corporation, for value received, hereby promises to pay to the order of _____ ("Lender") at the principal office of its agent, Provident National Bank ("Agent"), Corporate Trust Department, 17th and Chestnut Streets, Philadelphia, Pennsylvania 19101, or at such other place in the United States as the Agent hereof may from time to time designate in writing to the Maker, the principal sum of _____ (\$ _____), together with interest thereon from July 1, 1979, at the rate of 11.5% per annum in 60 consecutive quarterly installments, the first thereof being due and payable on October 1, 1979, and continuing on the same day of each quarter to and including July 1, 1994, in the amounts applicable to such payment dates as set forth on Schedule A hereto.

This Note is one of several Notes limited in aggregate principal amount of \$4,180,596 and is equally and ratably secured under and is subject to the terms of a security agreement between Maker and Provident National Bank, as Agent for the Lender and others, dated as of August 10, 1979 ("Security Agreement") which assigns and grants to the Agent a security interest in that certain lease (the "Lease") under which National Railway Utilization Corporation and Pickens Railroad Company are lessees and Maker is lessor made as of May 31, 1979 (No. Y179-1290.1), and in the items of railway rolling stock which are the subject of such Lease. Reference is hereby made to the Security Agreement for the terms on which this Note is secured and payable

All sums received by Maker or by Agent as assignee pursuant to to Section 14 of the Lease, as well as the net proceeds received upon any sale or disposition of any of the equipment in respect of which this Note was issued, shall be applied immediately upon receipt to the prepayment of this Note. In the event of any prepayment of this Note pursuant to the provisions of this paragraph, the amount of the installments thereafter coming due hereunder shall be reduced by an amount which bears the same proportion to the installments which would have been due hereunder, except for such prepayment, as the proportion of the principal amount so prepaid bears to the total remaining principal balance hereof due and owing immediately prior to such prepayment. Presentment, notice of dishonor and protest are hereby waived by Maker and all sureties, guarantors and endorsers hereof.

If any installment due hereunder is not paid on the due date thereof, an amount equal to interest at a rate per annum equal to 12.5% (or the maximum per annum rate of interest permitted by law, whichever is less) shall be due and payable on such installment from and including the date such installment was due until such installment is paid.

All sums received by Maker or by Lender's Agent as assignee pursuant to Section 7 of the Lease, as well as the net proceeds received upon any sale or disposition of any of the equipment in respect of which this Note was issued, shall be applied to the prepayment of this Note in accordance with the provisions of the Security Agreement. In the event of any prepayment of this Note pursuant to the provisions of this paragraph, the amount of the installments thereafter coming due hereunder shall be reduced by an amount which bears the same proportion to the installments which would have been due hereunder, except for such prepayment, as the proportion of the principal amount so prepaid bears to the total remaining principal balance hereof due and owing immediately prior to such prepayment.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING, THIS NOTE IS A NON-RECOURSE OBLIGATION OF THE MAKER AND THE LIABILITY OF THE MAKER TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THIS NOTE IS LIMITED SOLELY TO "INCOME AND PROCEEDS FROM THE EQUIPMENT" AS DEFINED IN THE SECURITY AGREEMENT AND NO HOLDER OF THIS NOTE SHALL HAVE RECOURSE TO THE MAKER OR TO ANY OTHER ASSETS OF THE MAKER IN THE EVENT THAT SUCH INCOME AND PROCEEDS OF EQUIPMENT SHALL NOT BE SUFFICIENT FULLY TO DISCHARGE THE LIABILITY OF THE MAKER HEREUNDER. For recovery upon default by Maker in the payment of amounts due hereunder, including without limitation any interest due on any installment not paid when due, the holder hereof shall have resort to the "income and proceeds from the Equipment" and not to any other of Maker's property. Nothing herein shall restrict the holder hereof from instituting a suit or obtaining a judgment against Maker; however, any judgment entered in any action for recovery of amounts due hereunder against Maker shall not be a lien against any other property of Maker, and such holder shall execute and deliver all documents and take all such other action as may be necessary to release of record from any such lien such other property of Maker.

The terms of this Note and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

EXECUTED and delivered the date first above written.

HELEASCO ELEVEN, INC.

[CORPORATE SEAL]

Attest:

By _____

Secretary

SECURITY AGREEMENT

THIS SECURITY AGREEMENT made as of August 10, 1979 between HELEASCO ELEVEN, INC., a Delaware corporation, with its principal place of business at Suite 203, Springer Building, 3411 Silverside Road, Wilmington, Delaware 19810 (the "Debtor") and PROVIDENT NATIONAL BANK, a national banking association with an office at Chestnut and 17th Streets, Philadelphia, Pennsylvania 19101 (the "Agent").

To secure the payment of the Debtor's non-recourse promissory notes (the "Notes") of even date herewith, payable to the order of General American Life Insurance Company, Indianapolis Life Insurance Company and Continental American Life Insurance Company (the "Lenders") in the aggregate principal amount of \$4,180,596.00, together with interest thereon at the rate of 11.5% per annum from July 1, 1979, and any and all other promissory notes hereafter at any time issued in replacement or extension thereof by Debtor, and to secure Debtor's obligations hereunder and under a certain Participation Agreement dated the date hereof ("Participation Agreement") between Debtor, Lenders and the Lessee (as hereinafter defined), Debtor hereby assigns, transfers, mortgages and pledges to the Agent, for the benefit of Lenders, and grants to the Agent a security interest in the following and in all proceeds thereof ("Collateral"):

1. all of the Debtor's right, title and interest in the equipment lease dated as of May 31, 1979 (the "Lease") in which NATIONAL RAILWAY UTILIZATION CORPORATION and PICKENS RAILROAD COMPANY are, jointly and severally, lessees (collectively "Lessee") and Debtor is lessor and all rentals and other moneys payable thereunder, including all proceeds of insurance, condemnation and requisition proceedings and sales or other dispositions of the property subject thereto and all the Debtor's rights, power and remedies herein and thereunder (but none of its duties or obligations thereunder, if any), including without limitation all the Debtor's rights to receive and collect rentals and other moneys payable thereunder, to give and receive any notice, consent, waiver, demand or approval under or in respect of such Lease, to exercise any election or option thereunder or in respect thereof, to accept any surrender of the property subject to the Lease, to execute and deliver any bill of sale for any such property, and to do all other things which the Debtor is entitled to do under such Lease;
2. subject to the interest therein and rights of the Lessee under the Lease, all the equipment

which may at any time be leased to the Lessee pursuant to the Lease (the "Equipment") and all the Debtor's right, title and interest in the Equipment and in all parts, fittings, accessories, accessions, substitutions and replacements therefor or thereof, and all contract rights, chattel paper, accounts, rentals, fees, income and proceeds arising from and in connection with the use of the Equipment; and

3. all of the Debtor's rights and interests (but none of its duties and obligations) in and under that certain Purchase Agreement Assignment relating to the Equipment dated as of May 31, 1979, by and between the Debtor and National Railway Utilization Corporation (the "Purchase Agreement Assignment").

Notwithstanding the foregoing, each Lender agrees that it shall have no security interest in that certain Income Tax Indemnification Agreement, dated as of May 31, 1979 by and between Debtor and Lessee or in any sums due thereunder.

Debtor has heretofore executed in favor of FIRST MARYLAND LEASE-CORP an assignment of lease ("Lease Assignment") dated as of May 31, 1979, a copy of which is attached as Exhibit B to the Participation Agreement, and, in furtherance of the foregoing rights herein granted, FIRST MARYLAND LEASECORP has executed in favor of the Agent a reassignment ("Lease Reassignment") of the rights under the Lease Assignment. The Debtor hereby irrevocably constitutes and appoints the Agent as its attorney-in-fact, with full power of substitution and revocation, in the name of the Debtor or otherwise to demand, enforce, collect, receive and receipt and give releases for any payment or indemnity becoming due or arising under the Lease or any policy of insurance relating to the Equipment or any Collateral (including any return of insurance premiums), to endorse and collect any checks, drafts or other instruments payable to the Debtor therefor, and to do and take all such other actions as are referred to above relating to the Lease, the Equipment or other Collateral, to file any claims or institute any proceeding for the foregoing which Agent deems necessary, and to compromise any such demand, claim or action.

So long as any amount remains owing on the Notes, without the Agent's prior written consent, the Debtor will not itself grant any consent or waiver under the Lease, give any notice thereunder or otherwise exercise any rights, powers or remedies of the Lessor thereunder (except as permitted by the next paragraph hereof), or agree to any release of any obligation of the Lessee thereunder or to any amendment, modification or termination thereof. The Debtor hereby consents to and waives notice of the granting by the Agent as assignee and secured party hereunder of indulgences to Lessee or extensions of time for payment of any obligations of Lessee under the Lease, the

Agent's taking or releasing of any security for the obligations of the Lessee under the Lease, the Agent's acceptance of partial payments on the Lease or settlement, compromising or compounding of any obligations of any person, primarily or secondarily liable on or with respect to the Lease, all in such manner and at such time or times as the Agent may reasonably deem advisable.

The Agent hereby agrees with the Debtor that the Agent will not, so long as no Event of Default under the Lease or this Agreement has occurred and is continuing, without the prior written consent of the Debtor, seek to avail itself of or to enforce any rights, powers, privileges, authorizations or benefits under Sections 6 and 9 of the Lease to the extent they inure to the benefit of the Lessor. If the Agent does not seek to collect that portion of the payments which would otherwise be paid to the Debtor pursuant to Paragraph H hereof, Debtor shall have the right, only so long as no Event of Default or event which, after notice or lapse of time or both would become an Event of Default under the Lease or this Agreement has occurred and is continuing, to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of such obligations or to recover damages for the breach thereof as provided in Section 10 of the Lease, but may not, without the prior written consent of the Agent, declare an Event of Default under or terminate the Lease, provided, however, that the exercise of Debtor's rights to enforce performance or to recover damages shall always be subject to the rights of the Agent under the Lease Assignment and Lease Reassignment, and under this Agreement. Notwithstanding the provisions of the Lease or this Agreement, should the Lessee default in the observance or performance of any obligations contained in Sections 6 or 9 of the Lease to the extent that the benefit thereof inures solely to the Debtor, and such default shall continue for 30 days after written notice thereof from the Debtor to the Lessee, the Debtor shall have the right (but only so long as no Event of Default or event which, after notice or lapse of time or both would become an Event of Default under the Lease or this Agreement shall have occurred and be continuing) to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of such obligations or to recover damages for the breach thereof as provided in Section 10 of the Lease (which shall constitute collateral security for the payment and performance of the obligations of the Debtor under the Notes and under this Agreement and shall be applied as herein provided), but may not, without the prior written consent of the Agent, declare an Event of Default under or terminate the Lease. After the occurrence of an Event of Default, the Agent agrees to (i) permit the Debtor (at Debtor's expense) to enforce performance by the Lessee or to seek to recover damages from the Lessee for the breach of any obligations of the Lessee contained in Sections 6 or 9 of the Lease to the extent that the benefit thereof inures solely to the Debtor (but the Debtor shall not have the right to terminate the Lease without the prior written consent of the Agent) or (ii) enforce (at Debtor's expense) such performance by, or

seek to recover such damages from the Lessee; provided, however, that payments received pursuant to this sentence shall constitute collateral security for the payment and performance of the obligations of the Debtor under the Notes and this Agreement and shall be applied as herein provided. The rights of the Debtor contained in this paragraph shall not affect the rights of the Agent and the Lenders, before or after the occurrence of an Event of Default under the Lease or this Agreement, which arise under or with respect to Sections 6 or 9 of the Lease, and shall not be deemed to prohibit or limit in any way the right of the Agent to enforce any of the rights and remedies under Section 10 of the Lease.

A. REPRESENTATIONS, WARRANTIES AND AGREEMENTS - Debtor represents, warrants and agrees that:

1. there have been delivered to and accepted by the Lessee, pursuant to the Lease, units of Equipment having an aggregate Purchase Price (as defined in the Lease) equal to at least 142% of the original principal amount of the Notes. The Lease provides for the payment, on or before the installment payment dates of the Notes, of rentals in amounts at least equal to the amounts of such installments of principal and interest under the Notes. The original Lease has been delivered to Agent;
2. the Debtor has good and marketable title to the units of Equipment referred to in subparagraph 1 above, free and clear of all liens, claims and encumbrances, subject only to the interests therein of the Lessee under the Lease and the Agent hereunder;
3. the Lease executed by Debtor and the Lessee and delivered to Lender has annexed thereto schedules describing in detail sufficient to identify them, the units of Equipment referred to in subparagraph 1 above;
4. (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all the requisite power and authority to enter into the Lease, this Agreement, the Lease Assignment, the Consent and Acknowledgment, the Participation Agreement and the Notes, all of which have been duly authorized, executed and delivered by Debtor, and constitute the legal, valid and binding obligations of the Debtor, enforceable in accordance with their terms

except as limited by bankruptcy and other laws affecting creditors rights generally, and to consummate the transaction contemplated hereunder and thereunder; (b) the Debtor has not executed any other assignment of the Lease and its right to receive any payments under the Lease (other than the Lease Assignment), and its right, title and interest in and to the Equipment, the Lease and the other Collateral are, and will continue to be, free and clear of any and all liens, agreements or encumbrances (except this Agreement and the rights of the Lessee under the Lease) created or suffered by any act or omission on the part of the Debtor (other than any act or omission in respect of which the Lessee has assumed responsibility under the Lease); (c) the Debtor has received no advance rental or other payments under the Lease and it will not accept any payments under the Lease for its own account except as permitted in this Agreement; (d) Debtor has performed all obligations on its part to be performed under the Lease on or prior to the date hereof and will perform any such obligations during the terms of the Lease; and (e) to the knowledge of the Debtor, there has not occurred on the date hereof any Event of Default, or other event which after notice or lapse of time or both would become an Event of Default, under the Lease or this Agreement;

5. the making and performance by the Debtor of this Agreement, the Notes, the Lease, the Lease Assignment, the Participation Agreement and the borrowing and execution and delivery of the Notes will not violate any provision of law or of the charter documents or by-laws of Debtor, or constitute a default under or result in the creation of any lien, charge or encumbrance upon any property or assets of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which it may be bound;
6. there are no actions, suits or proceedings pending or, to the knowledge of the Debtor, threatened, against or affecting the Debtor or in any court or by or before any government department, agency or instrumentality in which any adverse decision might materially affect the ability of the Debtor to perform its obligations hereunder and under the Notes, this Agreement, the Lease and the Participation Agreement;

7. without Agent's prior written consent so long as any Note remains unpaid, Debtor will not grant any consent under the Lease, give any notice thereunder or otherwise exercise any rights, powers or remedies of the Lessor thereunder, or agree to any release of any obligation of the Lessee thereunder or to any modification or any termination thereof;
8. it is, and so long as any Note is outstanding will continue to be, a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware;
9. it has not engaged in business other than in respect to the acquisition, leasing and the financing of the Equipment contemplated by the Participation Agreement, and will not, without the consent of Agent which consent will not be unreasonably withheld, so long as any Note is outstanding, engage in any business except as contemplated thereunder and under the Lease and hereunder; and
10. it will provide Agent and the Lenders with a copy of each notice it receives from Lessee promptly upon the receipt thereof.

Except as expressly set forth herein and in Section 2(a) of the Participation Agreement, the Debtor has not made any representations or warranties to the Lenders with respect to the transactions contemplated hereby and none shall be implied.

B. DOCUMENTATION - the Debtor will execute and deliver to the Agent such documents identifying the equipment as Agent may from time to time reasonably request. In addition, the Debtor will execute, acknowledge, deliver, file and record all such documents, including financing statements, and take all such other action as may be necessary or as Agent may reasonably request, to perfect and continue perfected under applicable laws the security interests granted hereby as first lien security interests in the Collateral, and the Debtor hereby irrevocably constitutes and appoints Agent its attorney-in-fact for such purposes, with full power of substitution. The Debtor also will execute and deliver such instruments and take all such other action as the Agent may reasonably request to effectuate the purposes of this Agreement and to secure the rights and remedies conferred upon the Agent hereunder.

C. DEFAULT - Each of the following will constitute an event of default hereunder ("Event of Default"):

1. the failure by Debtor to pay any amount of principal of or interest on the Notes when due, whether at the maturity thereof or by reason of any requirement for the prepayment thereof, by acceleration or otherwise, and such failure shall continue for five days after the Agent shall have given the Debtor written notice thereof;
2. the failure by Debtor to pay any other amount when due hereunder or to observe or perform any other obligation required by this Agreement or the Lease Assignment or the Participation Agreement, and such failure shall continue for twenty (20) days after the Agent shall have given the Debtor written notice thereof;
3. the occurrence of an Event of Default under the Lease (as defined therein);
4. the adjudication of the Debtor as bankrupt or insolvent, or the entry of an order appointing a receiver or trustee for the Debtor or any of its property or approving a petition seeking reorganization, arrangement, composition, adjustment of the debts, liquidation or dissolution of the Debtor under the Bankruptcy Act or any similar law of the United States or any state or other competent jurisdiction, or the filing by the Debtor of a petition or answer seeking or consenting to any of the foregoing, or the filing of a petition against the Debtor seeking any of the foregoing which is not dismissed within sixty (60) days, or the making by the Debtor of a general assignment for the benefit of creditors; or
5. the occurrence of a breach of any of the Representations, Warranties and Agreements under Paragraph A hereof.

D. REMEDIES - At any time after the occurrence of an Event of Default and while the same remains uncured, the Agent may declare, by written notice to the Debtor, the entire unpaid balance of the principal of the Notes and interest accrued thereon to be immediately due and payable, and, in addition, the Agent shall have and may exercise all the rights and remedies of a secured party under the applicable Uniform Commercial Code or other applicable law, including the right, subject to prior rights, if any, of the Lessee under the Lease, to take possession of any

Equipment or other Collateral not then in the Agent's possession and to dispose of it, or the Debtor's interest therein, at public or private sale, at which the Lenders, subject to the provisions of applicable law, may be the purchaser.

Any notice of such sale required by law shall be deemed reasonably and sufficiently given to the Debtor if given at least 15 days prior to the date thereof at the address and in the manner herein provided for notices. The proceeds realized by the Agent on the exercise of any of its remedies shall be applied to the obligations secured by this Agreement in accordance with the provisions of Paragraph I and Debtor will be entitled to any surpluses thereafter. No delay or omission on the Agent's part to exercise any right hereunder will impair any such right or be construed as a waiver of any default or any acquiescence therein.

No waiver of any default hereunder will affect any later default or impair any of the Agent's rights hereunder. No single, partial or full exercise of any rights by the Agent will preclude further or other exercise thereof. The remedies provided for herein shall not be deemed exclusive, but are cumulative and in addition to all other remedies available under applicable law or in equity.

E. LIMITATION OF THE DEBTOR'S LIABILITY - Subject only to a breach by the Debtor of its representations, warranties and agreements under subparagraph 4 of Paragraph A (for which breach Debtor's liability shall not be subject to any of the limitations set forth in this Paragraph E.) and notwithstanding any other provision of this Agreement, the Participation Agreement or the Notes, it is understood and agreed that all payments to be made by the Debtor under or pursuant to this Agreement and the Notes (other than payments which Debtor voluntarily may choose to make to cure a Rental Default (as hereafter defined) pursuant to Paragraph H. hereof) will be made only from the "income and proceeds from the Equipment" (as defined in this Paragraph) and the Debtor's liability hereunder, under the Participation Agreement and under the Notes will be limited thereto. For recovery upon default by the Debtor in the payment or performance of any of its obligations hereunder and under the Notes, Agent will have recourse solely to the "income and proceeds from the Equipment" and not to any other property of the Debtor. The Agent will not proceed for the collection of any amount payable hereunder and under the Notes, against, or execute upon, any other assets of the Debtor. Any judgment entered in any action for recovery of any amount due hereunder and under the Notes against the Debtor will not be a lien against any other property of the Debtor, and the Agent agrees, at Debtor's expense, to execute and deliver all documents and take all such other action

as may be necessary to release of record from any such lien such other property of the Debtor. As used herein, the term "income and proceeds from the Equipment" means

1. if an Event of Default shall have occurred hereunder and while it shall be continuing or an event shall have occurred which with the lapse of time and/or notice provided for in the Lease or hereunder could constitute an Event of Default thereunder or hereunder and until such event shall either become an Event of Default or be cured or otherwise not be capable of maturing into an Event of Default, so much of the following amounts as are indefeasibly received by the Debtor under the Lease or by the Agent as assignee pursuant to the Lease Assignment and Lease Reassignment at any time after such occurrence and during the continuance thereof;
(a) all amounts paid under the Lease including, without limitation, rentals and late charges in respect thereof and amounts in respect of Casualty Occurrences (as defined in the Lease) paid pursuant to the Lease for or with respect to any Equipment,
(b) any and all payments or proceeds so received by the Debtor or the Agent as assignee as aforesaid or otherwise for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, and (c) any and all sums received by Debtor or the Agent as assignee of Debtor under Section 10 of the Lease or pursuant to the Purchase Agreement Assignment; and
2. at any other time, only that portion or the amounts referred to in the foregoing clauses (1)(a), (1)(b), and with respect to amounts received pursuant to the Purchase Agreement Assignment, (1)(c) as are indefeasibly received by the Debtor or the Agent as assignee and as shall equal the portion of the unpaid principal balance of the Notes, accrued interest thereon and all other amounts payable by the Debtor hereunder (including prepayments in respect of Casualty Occurrences), which are then due and payable on the date such amounts were received by the Debtor or the Agent as assignee or were required to be paid to the Debtor pursuant to the Lease; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (1)(a), (1)(b), and with respect to amounts received pursuant to the Purchase Agreement Assignment, (1)(c) which were received by the Debtor or the Agent as assignee when no such Event of Default or other event which with the lapse of time and/or notice provided for in the Lease or hereunder

could constitute an Event of Default thereunder or hereunder had occurred and was continuing and which exceeded the amount required to discharge the portion of the unpaid principal balance of the Notes, accrued interest thereon and all other amounts payable by the Debtor hereunder, including prepayments thereof required in respect of Casualty Occurrences, which are due and payable on the date when such amounts were received by the Debtor or the Agent as assignee or were required to be paid to the Debtor pursuant to the Lease.

Nothing herein contained shall limit, restrict, or impair Agent's right to accelerate payment of the Notes upon the occurrence of the Event of Default, to bring suit and obtain a judgment against the Debtor on the Notes or this Agreement for the full amount of the unpaid principal of the Notes, interest thereon and all other amounts payable by the Debtor pursuant hereto (provided that the liability of the Debtor on any such judgment and the satisfaction thereof shall be limited as hereinabove provided), or to exercise (subject to the rights of Lessee under the Lease) Agent's rights and remedies hereunder with respect to the Collateral, including the Equipment and the Lease (including the right to enforce Agent's rights, as assignee, under the Lease and to dispose of the Equipment and the Lease and to recover from the proceeds thereof the full amount of the unpaid principal of the Notes, interest thereon and all other amounts payable by the Debtor pursuant hereto).

F. PREPAYMENT OF NOTE - If any amount shall become due and payable to the Debtor or the Agent as assignee pursuant to Section 7 of the Lease because of a Casualty Occurrence (as defined in the Lease) with respect to any units of Equipment ("Casualty Value"), then, thereupon, an amount, computed as hereinafter set forth, will be due and payable on account of the principal of and interest accrued on the Notes on the date the Casualty Value is due and payable under the Lease. The Agent will accept all sums paid to it pursuant to Section 7 of the Lease with respect to Casualty Occurrences (as therein defined) of Equipment and, unless an Event of Default or event which, after notice or lapse of time or both, would become an Event of Default under this Agreement or under the Lease, shall have occurred and be continuing, (in which event all such amounts shall be held by the Agent to satisfy the obligations of the Debtor as provided in Paragraph I) shall apply those portions of such sums hereinafter stated for the account of the Debtor and, immediately following application of rentals to the payment of principal and interest accrued on such date, to the prepayment of principal on the Notes. The portion of such sums to be so

applied to prepayment of the principal of such Notes in respect of any Casualty Occurrence shall be that portion thereof as shall be equal to (i) 70% of the Purchase Price (as defined in the Lease) of the Equipment having suffered such Casualty Occurrence less (ii) the aggregate amount of payments of principal theretofore made on such Notes (including payments out of accrued rentals made on such date but excluding all prepayments in respect of Casualty Occurrences) in respect of an original principal amount equal to 70% of the Purchase Price of such Equipment, considering for this purpose that each payment of principal on the Notes was applicable to reduction of the financing for the Purchase Price of each unit of Equipment on a pro rata basis. The remainder of such sums shall be paid to the Debtor. In the event of any partial prepayment of the principal of the Notes pursuant to the preceding sentences of this Paragraph F, the amount of each installment payment thereon thereafter coming due will be reduced by an amount which bears the same proportion to the amount of such installment which would have been due in the absence of such prepayment as the amount of such principal prepayment bears to the unpaid principal balance outstanding immediately prior to such prepayment, and the Debtor shall promptly prepare and distribute to the holders of such Notes revised schedules of payments reflecting such reduction.

G. COLLECTION EXPENSE - In addition to all other amounts payable hereunder and under the Note, the Debtor will pay all of the Agent's reasonable expenses, including attorneys' fees, incurred from time to time in enforcing its rights and remedies hereunder, under the Notes or under the Lease. If Agent brings suit (or files any claim or petition in any bankruptcy, reorganization, insolvency or other proceeding) to enforce any of its rights (or other recovery or relief), Agent may recover in such action (or other proceeding), in addition to all other amounts payable hereunder and thereunder, its reasonable expenses in connection therewith, and the same shall be included in such judgment (or other form of award).

H. COLLECTION OF RENTALS - Agent will, on behalf of Debtor collect and receive from the Lessee all rentals and other money payable pursuant to the Lease, and the Agent, except as otherwise provided in this Agreement, may take all such action as may be necessary or desirable to demand, enforce, collect, receive and receipt for all such payments and otherwise enforce compliance by Lessee with all terms and provisions of the Lease. To the extent indefeasibly received, the Agent will apply such payments first, in the manner specified in Paragraph I hereof, and second, so long as no Event of Default or event which, with the lapse of time and/or notice provided for in the Lease or

hereunder could constitute an Event of Default thereunder or hereunder shall have occurred and be continuing, any balance shall be deemed to be held by the Agent in trust for the Debtor and shall be paid immediately to the Debtor, by bank wire to the Debtor at such bank as may be specified to the Agent in writing, and such balance shall be retained by the Debtor. All payments received by the Agent at such time as an Event of Default shall have occurred and be continuing which otherwise, in whole or in part, would be remitted to Debtor as aforesaid shall be retained by the Agent and applied to satisfy Debtor's obligations under the Notes and this Agreement. All payments received by the Agent at such time as there shall have occurred an event which with the lapse of time and/or notice provided for in the Lease or hereunder could constitute an Event of Default thereunder or hereunder which otherwise, in whole or in part, would be remitted to Debtor as aforesaid shall be retained by the Agent until such event shall either become an Event of Default (in which case such monies shall be applied as aforesaid), or be cured or otherwise not be capable of maturing into an Event of Default (in which case such monies shall be remitted to Debtor as aforesaid). The Debtor agrees that all payments received by the Debtor from the Lessee which are payable to the Agent pursuant to this Agreement shall be held in trust for the Agent and shall be immediately paid to the Lender.

If the Agent shall not receive any rental payment under the Lease when due ("Rental Default"), the Agent shall notify the Debtor at the address set forth in the Lease; provided, however, that the failure of the Agent so to notify the Debtor shall not affect the obligations of the Debtor hereunder or under the Notes. Agent agrees that notwithstanding the provisions of Paragraph C.3. hereof, the Agent will not exercise any of its rights or remedies under the Notes, this Agreement or the Lease (including, but not limited to acceleration of the payment due under the Notes and under the Lease) solely by reason of a Rental Default if (i) the Debtor shall have made all payments required by this Agreement and the Notes when due and there has occurred no Event of Default under this Agreement other than the default under Paragraph C.3. arising by reason of a Rental Default and (ii) a Rental Default has not occurred more than once during the preceding eighteen (18) months.

I. APPLICATION OF PAYMENTS - All payments indefeasibly received by the Agent which are to be applied in satisfaction of the Debtor's obligations under the Notes and this Agreement shall be applied, first, to the payment of costs and expenses due to the Agent pursuant to Paragraph G, if any, second, to the payment of accrued interest on the Notes, and thereafter to the payment of principal and all other amounts payable hereunder. Payments

indefeasibly received by the Agent in excess of the amounts necessary to satisfy Debtor's obligations as aforesaid shall be remitted to Debtor as provided in Paragraph H above.

J. EXCHANGE OF NOTES - Upon surrender of any Note at the office of the Debtor, the Debtor, at the request of any Lender, will execute and deliver new notes in exchange, in denominations requested by such Lender, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Such new notes shall be payable to such party as such Lender may request, shall be substantially in the form of the Notes, with appropriate changes, and shall be dated and bear interest from the date to which interest has been paid on the surrendered Note. When issued, such notes shall be deemed to be included in the term "Note" as used herein.

K. MULTIPLE NOTES - If more than one Note is outstanding at the time any application of payments is made pursuant to Paragraphs F and I hereof, the application shall be made on all outstanding Notes ratably in accordance with the principal amount remaining unpaid thereon and on the installments of each Note, respectively.

L. NOTICES - All notices, declarations, requests, consents and other communications given hereunder or in connection herewith or with the Notes shall be in writing and shall be deemed to have been given when delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to Debtor at its address stated above, to the Agent at its address stated below, or to such other address as any such party may hereafter specify by written notice to the other.

M. OTHER AGREEMENTS - All references in this Agreement to obligations of Debtor pursuant to this Agreement or payments required to be made pursuant to this Agreement shall for all purposes include, regardless of whether expressly stated, any obligations of the Debtor for payments required by the Debtor pursuant to the Lease Assignment and Lease Reassignment or the Participation Agreement.

N. APPLICABLE LAW - This Agreement and the Notes shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Commonwealth of Pennsylvania; provided that the Agent and the Lenders shall be entitled to all rights conferred under applicable federal statute, rule or regulation.

O. SEVERABILITY - Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any

jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

P. SUCCESSORS AND ASSIGNS - This Agreement will bind and inure to the benefit of the respective successors and assigns of the parties hereto, including any holder, as such, of any Note, by acceptance of an assignment hereof or of any Note. Each of the Agent's successors or assigns (including any holder, as such, of any Note) will be deemed to have agreed to be bound by the provisions hereof and of the Notes and the Agent's undertakings hereunder and thereunder, especially including the provisions of Paragraph E, entitled "Limitation of the Debtor's Liability".

Q. HEADINGS - The headings in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

EXECUTED as of the date first above written.

HELEASCO ELEVEN, INC.

(Corporate Seal)

Attest:

By: _____
Title:

Title:

PROVIDENT NATIONAL BANK, as Agent

(Corporate Seal)

Attest:

By: _____
Title:

Title:

Address for notices, etc.:

17th and Chestnut Streets
Philadelphia, Pennsylvania 19101

Attn: Corporate Trust Department

SS :

On this day of August, 1979, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of HELEASCO ELEVEN, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My Commission Expires:

SS :

On this day of August, 1979, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is _____ of PROVIDENT NATIONAL BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My Commission Expires:

RELEASE OF SECURITY INTEREST

The undersigned, FIRST MARYLAND LEASECORP, a Maryland corporation, with principal office at 25 South Charles Street, Baltimore, Maryland, having this date been repaid all indebtedness owed to it pursuant to the non-recourse Promissory Note, dated May 31, 1979, of Heleasco Eleven, Inc. ("Heleasco"), as Maker, including the principal amount or \$4,180,596, and all Basic Interest and Additional Interest due thereunder (as such terms are defined in the Closing Agreement, dated May 31, 1979, among the undersigned, Heleasco, Pickens Railroad Company and National Railway Utilization Corporation), does hereby release all of its rights as the secured party under that certain Security Agreement, dated May 31, 1979, between Heleasco, as Debtor, and the undersigned. Said Security Agreement is fully satisfied and herewith discharged as of this date.

IN WITNESS WHEREOF, the undersigned has hereunto caused this Release to be executed on its behalf by its officers thereunto duly authorized.

FIRST MARYLAND LEASECORP

(CORPORATE SEAL)

Attest:

President

Secretary

Dated: August __, 1979

STATE OF MARYLAND :
COUNTY OF : SS:
:

On this _____ day of _____, 1979,
before me personally appeared _____, to me
personally known, who, being by me duly sworn, says that he
is _____ of FIRST MARYLAND LEASECORP, that
the seal affixed to the foregoing instrument is the corporate
seal of said corporation, that said instrument was signed and
sealed on behalf of said corporation by authority of its
Board of Directors, and he acknowledged that the execution
of the foregoing instrument was the free act and deed of
said corporation.

[Notarial Seal]

Notary Public

My Commission expires:

ASSIGNMENT

For valuable consideration, receipt whereof is hereby acknowledged, the undersigned, FIRST MARYLAND LEASECORP ("Assignor"), a Maryland corporation, hereby assigns and transfers to PROVIDENT NATIONAL BANK, a national banking association ("Assignee"), as Agent for the Lenders listed in Schedule A to Participation Agreement dated as of August 10, 1979, its successors and assigns, all of Assignor's right, title and interest in and to the attached Assignment of Lease and, pursuant thereto, in and to the lease, referred to therein, dated as of May 31, 1979 (Lease No. Y179-1290.1) and all rental schedules and supplements thereto ("Lease") of which National Railway Utilization Corporation and Pickens Railroad Company, with addresses, respectively, at 1100 Centre Square East, 1500 Market Street, Philadelphia, Pa. 19101, and at Cedar Rock Street, Pickens, South Carolina 29671, are lessees.

Assignor authorizes Assignee to do every act and thing in the name of the Assignor, Assignee or otherwise which Assignee may deem advisable to enforce the terms of the Lease, and the Assignor hereby irrevocably appoints Assignee the true and lawful attorney for the Assignor with full power of substitution and revocation, together with full power and authority in the name of the Assignor, Assignee or otherwise, to demand, enforce, collect, receive, receipt and give releases for any moneys due or to become due under or arising out of the Lease or any policy of insurance or indemnity relating to the property subject thereto or the Lease (including any returns of premium), to endorse all checks and other instruments payable to Assignor, and to do and take all such other actions as are referred to in the preceding paragraph relating to the Lease or such property, to file any claims or institute any proceedings for the foregoing which Assignee deems necessary, and to compromise any such demand, claim or action.

Contemporaneously with this Assignment, the Assignor herewith delivers to the Assignee the executed original counterpart of the Lease which was delivered to the Assignor by lessee and lessor under the Lease.

Assignor represents and warrants that it has not assigned or transferred any of its right, title or interest in and to the attached Assignment of Lease or the Lease to any other person, firm or corporation, expressly waived any rights or remedies provided for therein or consented to or approved any amendment of or modification to the Lease, and Assignor has not received any written notice from the lessee or the lessor under the Lease that an Event of Default or other event which with the passage of time or the giving of notice would constitute an Event of Default under the Lease has occurred and is continuing. Except as provided in the foregoing sentence, this Assignment by the Assignor is without representation or warranty, express or implied, or any recourse of any kind, and Assignor shall not be responsible for any liability or obligation of the lessee or the lessor under the Lease.

IN WITNESS WHEREOF, this Assignment has been duly executed this ___th day of August, 1979.

FIRST MARYLAND LEASECORP

[Corporate Seal]
Attest:

By _____

Asst. Secretary

President

CONSENT AND ACKNOWLEDGMENT

The undersigned, HELEASCO ELEVEN, INC., a Delaware corporation, lessor ("Lessor") under that certain lease ("Lease") referred to in the attached Assignment, acknowledges receipt of notice of such Assignment, consents thereto and agrees that the Assignee (Provident National Bank, as Agent), its successors and assigns, shall henceforth, for all intents and purposes, be deemed to be the "Lender" as described in the Lease, and that the "Note" and "Note Indebtedness", as referred to therein, shall mean the Promissory Notes, and the indebtedness evidenced thereby, which are provided for and referred to in the Participation Agreement, dated of even date herewith, among the Lessor, the Assignee, the Lessee (hereinafter defined) and the Lenders named in Schedule A thereto, and "Security Agreement" shall mean the Security Agreement of even date herewith given by the Lessor in favor of the Assignee.

The undersigned, NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation, and PICKENS RAILROAD COMPANY, a South Carolina corporation, the lessees (herein collectively called the "Lessee") named in the Lease, hereby acknowledge receipt of notice of the Assignment and their respective understandings that, by reason thereof, the Assignee shall henceforth stand in the place and stead of First Maryland Leasecorp, and shall be deemed to be the "Assignee" referred to in the Consent and Agreement of the undersigned dated as of May 31, 1979.

This Consent and Acknowledgment is made pursuant to a certain Security Agreement of even date herewith given by Heleasco Eleven, Inc., a Delaware corporation, to Assignee to secure the payment of the Promissory Notes of said Heleasco Eleven, Inc. and its other obligations as provided therein, and the Assignee does not, by reason hereof, assume any of the obligations of the lessor under the Lease.

This Consent and Acknowledgment shall be deemed to be a contract made and effected under the laws of the Commonwealth of Pennsylvania, and, for all purposes, shall be construed in accordance with the laws of said Commonwealth.

Dated: August , 1979

HELEASCO ELEVEN, INC.

By _____
Vice President

NATIONAL RAILWAY UTILIZATION
CORPORATION

By _____
Vice President

PICKENS RAILROAD COMPANY

By _____
Vice President